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Industrial Democracy in 12 Nations



U. S. Department of Labor
Bureau of International Labor Affairs
Monograph No. 2



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By Harry and Joanne Bernstein

U. S. Department of Labor
Bureau of International Labor Affairs
Monograph No. 2

Ray Marshall
Secretary of Labor

Howard D. Samuel
Deputy Under Secretary
International Affairs

January 1979

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Preface

This is the second in our series of occasional monographs in which the Department of Labor reports on international labor developments that are pertinent to interests in the United States.

Much of this material first appeared in the *Los Angeles Times* and is reprinted here by permission of the copyright owner. Those articles were written by Harry Bernstein, one of the Nation's better informed chroniclers of labor-management developments. The material has been reorganized and expanded and the introduction written for this monograph. It is the work of Harry Bernstein and his wife, Joanne Bernstein, who accompanied him on this odyssey.

The Bernsteins' trip was made possible by a grant from the German Marshall Fund for the United States. It was established by the Federal Republic of Germany as an expression of appreciation for the generous help received from the United States after World War II under the Marshall Plan for the reconstruction of Europe.

The foreword by Lane Kirkland, Secretary-Treasurer of the American Federation of Labor and Congress of Industrial Organizations, ably expresses the conviction of most American union leaders that systems successful in other countries with other climates are not necessarily transferable to the United States.

Howard D. Samuel

Deputy Under Secretary
International Affairs

Contents	Page
Preface	ii
Foreword <i>by Lane Kirkland</i>	iv
Introduction	1
Chapter I SWEDEN <i>The Old Order Changes: Democracy in the Factory</i>	7
Chapter II NORWAY and DENMARK <i>Industrial Democracy: Profit and Participation</i>	13
Chapter III WEST GERMANY <i>Corporate Democracy: An Elite of Its Own</i>	19
Chapter IV HOLLAND and BELGIUM <i>Dutch Works Councils: Power Seldom Exercised</i>	25
Chapter V GREAT BRITAIN <i>Union Demand: A Voice in Corporate Decisions</i>	29
Chapter VI FRANCE and ITALY <i>Democracy on the Job: A Problem for Communists</i>	35
Chapter VII FRANCE <i>Quality of Work Life: The Renault Experience</i>	41
Chapter VIII YUGOSLAVIA <i>Self-Management: Electing the Executives</i>	45
Chapter IX ISRAEL <i>Worker Participation: Collectives, Cooperatives and Union-Owned Enterprises</i>	51
Chapter X JAPAN <i>Consensus Decisionmaking: Key To Productivity</i>	55

Foreword

The author of these articles, Harry Bernstein of the *Los Angeles Times*, is a thoughtful and experienced journalist who brings a high degree of professionalism to the field of labor reporting. Combined with those qualities, he apparently enjoys from his editors the scope, time and freedom to explore his field in much greater depth than most reporters.

That quality of journalistic worklife is reflected in this collection of reports on comparative labor-management relations and experiments in democracy on the job around the industrial world. In bringing these facts and reflections to the attention of the American public, Bernstein and his wife, Joanne Bernstein, have performed a significant service.

That service does not lie, in my view, in any implication that the methods and approaches herein described are necessarily transferable to our shores, where there are such differences in history, geography, structure, and concept. Indeed, I believe that most American trade unionists who study the matter will remain convinced that the potential of our system of arms-length collective bargaining is so far from exhaustion as to make a detour into routes carved out by other tighter little societies an inexpedient diversion. Nevertheless, one should keep an open mind on these matters; our world also changes, and no representative of workers who reveres his trade should pass up the chance to learn more about all the currents and eddies stirring abroad in this period of growing economic transnationalism.

Of perhaps greater interest to trade unionists in this — the oldest — democracy, is the evident stark and ironic contrast which these articles reveal between the relatively receptive attitude of European employers and the sometimes harsh and narrow assertion of class privilege by their American counterparts.

Contrast, for example, German industry's embrace of "codetermination" with the effort by American business to establish something called the "Council for a Union-Free Environment."

In Norway, the head of the Norwegian Employers Association tells Harry Bernstein that:

"We have developed a greater degree of mutual trust between employers and workers than you have in the United States. . . . We in management don't understand how American companies can be so opposed to unionization."

Compare that spirit with the recent campaign by American employers to defeat, by a Senate filibuster, a measure designed to reinforce the legal right of workers to join trade unions of their own choosing, free of the threat of employer reprisals.

Could it be that these contrasts in spirit and heart are reflections of equivalent contrasts in acumen and enterprise? And might they not highlight a basic problem in America's fortunes in the world marketplace?

Lane Kirkland
Secretary-Treasurer
American Federation of
Labor and Congress of
Industrial Organizations

Introduction

A new industrial revolution is sweeping the most economically advanced countries, blurring the lines between capitalism and socialism and bringing to millions of workers a kind of democracy they have never before known.

The idea of industrial democracy is no longer a theory, practiced by a relatively few workers and written about and discussed mostly by experts in universities, corporations, unions, and government.

What were once only experiments in industrial relations have become a way of life in many European nations, while interest in the subject is continuing to grow in the United States and Japan.

Politicians have made it a crucial issue in several countries.

In Sweden, it was a key factor in the defeat of the Social Democrats in 1977 after they had governed the country for 44 years. The question so hotly debated there, however, was how and not whether to extend the realities of industrial democracy.

In West Germany, the concept of workers participating to some degree in corporate decisions has long been a practice mandated by law. The battle there now is whether workers should have an equal share of power with shareholders in all major decisions, a system still limited to the coal and steel industries.

Industrial democracy legislation has been enacted or is under consideration in other countries including Norway, Denmark, the Netherlands, Belgium, Austria, Luxembourg, and Great Britain.

Less dramatic, voluntary steps not mandated by law are being taken toward industrial democracy in every other European country, in a few Asian nations, and in the United States where several large corporations and some unions are trying variations of the concept.

Broadly defined, industrial democracy simply means the practice of workers assuming roles as decisionmakers and not just order takers on their jobs.

There are many variations of the idea. Some

say it should be limited to the plant level, where workers participate in deciding how their individual jobs are to be done. This is sometimes called "quality of work life" systems. Corporate-level decisions are left to top management.

Others want a system which would, by law or voluntarily, involve workers or their representatives in almost all major decisions of corporate life by placing worker representatives on boards of directors.

Still others want workers to ultimately take over the final decisionmaking power by means of mass stock purchases. This is generally known as "economic democracy," where corporate ownership goes partly or completely to workers.

Because the moves toward industrial democracy have been substantial in recent years, it is easy to overemphasize their impact on the average worker.

In several countries workers today have a greater voice than ever before in running the companies which employ them, and the degree of worker participation is rising steadily, even though the speed of the trend varies widely from year to year and country to country.

But to most workers, the changes seem less dramatic than they do to a journalist making a brief month survey with his associate and wife of the impact of industrial democracy in 12 countries.

We were continually impressed with the acceptance of the idea in most countries, both by management and workers. But the sense of surprise we both felt over the growth of industrial democracy didn't seem to be shared by many participants.

Many European workers taking part in what to us was an exciting extension of democracy into the workplace said that for them it was an accepted practice which didn't always meet their expectations.

They didn't suddenly awake one morning and find that as workers they were expected to vote on, say, whether their company should open a new plant in Australia. But usually their elected representatives react to, and understand, the cor-

porate problems which management shares with them.

Many supervisory duties once reserved for management are either assigned entirely to workers and their representatives or are shared between management and the workers.

European corporate leaders, too, seemed to take industrial democracy almost for granted. Their concerns, often deeply felt, centered on the possible loss of their authority to make final decisions, and the long-range prospects of a shift in actual company ownership through some version of economic democracy. But there was little argument about the need for increased worker participation in corporate decisionmaking.

We are convinced that industrial democracy is developing at a faster pace in Europe than even many Europeans realize because they are so immersed in the details of change. It appears almost certain that it will spread soon to the United States where the central notion—increased democracy—is a cherished one

This report, however, concentrated on Europe and Japan. Sponsored by *The Los Angeles Times*, where most of the stories were first printed, and by the German Marshall Fund of the United States, the project was not designed to break new ground. The purpose was just to have an American team of reporters look at and write about the phenomenon so strange to most Americans that even the words “industrial democracy” are generally unknown in the United States.

The stories collected and revised here were aimed at a general audience to give them an overview of the concept. They weren’t written for specialists who have read or made their own comparative studies of the subject and its growth.

While the concentration was on Europe and Japan, we first made brief visits to some companies in the United States experimenting with elements of worker participation.

Most of the relatively few American experiments have been undertaken by nonunion employers, although there is a growing interest

among some large unionized firms such as General Motors.

American union leaders see many if not most of the experiments primarily as antiunion devices, and the recent creation of an employer organization lends credence to some of their suspicions. Heath Larry, president of the National Association of Manufacturers (NAM), said the NAM formed the “Council on a Union-Free Environment” to keep unions out of American factories, offices, and stores.

And the organization will use worker participation programs, or industrial democracy, as one of its key tactics, according to Larry.

Workers under the NAM version of industrial democracy will be given more of a voice in company affairs, but only as individuals and without the strength they would have as members of a union.

This use of the idea as a weapon to fight unions is almost unheard of in Europe where unions are an accepted part of life.

Small wonder, then, that U.S. unions aren’t enthusiastic about all versions of a system which should have as a basic tenet labor-management cooperation, not antiunionism. Also, the adversary system of labor-management relations is deeply embedded in the U.S. tradition. Many union leaders want no part of power sharing that doesn’t come directly through traditional collective bargaining methods.

Many Italian unions are, in fact, bringing about industrial democracy through collective bargaining. They won power-sharing provisions in their contracts rather than through legislation.

But usually, collective bargaining in all countries is more limited, allowing workers through their unions to help decide the amount of their wages and some of their working conditions, but not to share power at the top.

In some ways, this adversary system has given unionized American workers more of a voice in shop-floor decisions than workers in a few European countries, where top-level decisions are shared by top-level union and management

Industrial democracy usually calls for sharing decisions at all levels, on everything. . . .

leaders but the average worker seldom participates in shop-floor decisions.

Industrial democracy usually calls for sharing decisions at all levels, on everything from the kind of equipment to be purchased to corporate investment programs.

It is that top-level sharing of power which unions in the United States still generally resist. That opposition was summed up in a now well-known statement from Tom Donahue, executive assistant to AFL-CIO President George Meany:

“We do not seek to be a partner in management, to be most likely the junior partner in success and the senior partner in failure.

“We do not want to blur in any way the distinctions between the respective roles of management and labor in the plant.

“We guard our independence fiercely, independent of government, independent of any political party, and independent of management.”

But that view is being modified somewhat these days, and there are several interesting experiments in industrial democracy in the United States.

One such experiment which has received fairly wide attention is at the Harman International Industries, Inc., in Bolivar, Tenn.

Michael Maccoby, Director of the Harvard Project on Technology, Work, and Character, said the Bolivar project was aimed at nothing less than “the creation of an American model of industrial democracy.”

It hasn't yet become such a model, but conversations with participants in the Bolivar project and a few others helped us form a tentative perspective for looking at the more extensive use of industrial democracy abroad.

There were three quickly noted, unusual aspects of the experiment at Bolivar, the small town in southwestern Tennessee where most American-made auto mirrors are manufactured:

- It was started with the complete cooperation of a union, the United Auto Workers (UAW),

and a moving force behind it was UAW Vice President Irving Bluestone.

- Management's firmly stated motive was “not to increase productivity but rather to make work more satisfying,” according to Harman's former president, Sidney Harman, who later became Under Secretary of Commerce in the Carter Administration.

- The experiment has resulted in improved work conditions, but the most significant choice of the workers was based on a traditional view of work: the less there is of it, the better it is.

Many advocates of industrial democracy insist one of its aims is to so improve life on the job that workers will not be anxious to rush away at the end of the workday.

But workers at the Bolivar plant decided, democratically and with both the spirit and the letter of worker participation ideals, that their own chief goal under the new system was to get out of the plant as quickly as possible.

To achieve this, managers and workers agreed to set up a system they called “earned idle time.”

Production quotas are set by worker-management teams, and when the quotas are achieved, whether by individuals or by groups, those workers are free to leave for the day.

The result has been that most workers stay on the job about 6 hours a day and are paid for 8. Some complete their quotas in 4 hours by working at speeds they couldn't maintain for longer periods.

There is a written agreement that since the purpose of the experiment was not to increase productivity, management would not increase the quotas if workers stepped up their production pace to buy “idle time.”

When productivity does increase as a sort of bonus, but not as a goal of the experiment, the resulting corporate gains are shared with workers who almost invariably meet their quotas now.

Harman set the tone for the “model project” by saying that as company president he did not necessarily approve everything the worker-management teams decide to do.

One fear of workers is that any significant improvement in production might result in layoffs. . . .

"Nevertheless," he said, "it is my absolute conviction and my experience that you must engage workers in genuine participation in the decisions that affect their daily lives if something of value is to happen in the workplace."

Only in that fashion, Harman argues, will there be that "growing sense of self-esteem and self-worth that converts people who come to work in the morning hating themselves and the company into craftsmen who have pride in the work they do."

The UAW's Bluestone, one of industrial democracy's strongest advocates, puts the case clearly:

"The rigidity and denial of freedom (on most jobs) lead people to live a kind of double life: at home, they enjoy substantially the autonomy and self-fulfillment of free citizens; at work they are subject to constant regimentation, supervision and control by others."

Another American industrial democracy experiment we visited is in Jamestown, N.Y., and it was working reasonably well. It's the only place in this country where an entire community is involved in promoting the program.

Initiated by former Jamestown mayor Stanley Lundine, who later became a Congressman, and by a Federal Mediation Service Commissioner, Sam Sackman, the Jamestown experiment was partly financed with money from the Department of Commerce.

The Jamestown projects are in unionized companies primarily under contracts with the International Association of Machinists. John Eldred, full-time coordinator, said one guiding principle common to all industrial democracy is that "the people who actually perform the jobs often know them best, and so company and worker teams should and do meet regularly to plan company operations jointly."

One fear of workers is that any significant improvement in production might result in layoffs unless there are major increases in sales.

For that reason, Eldred said, "job guarantees almost always come first in starting these

programs because the best ideas for production improvement often mean layoffs, and industrial democracy, or as we call them 'quality of work life' projects, really begin with a worker having a job. Not many people will come up with ideas which put them out of work."

At the Carburundum Corporation plant on the outskirts of Jamestown, we had a joint interview with workers and company officers, an interview which was surprisingly similar to one conducted a short time later in the first foreign country we visited, Sweden.

In both the Swedish and American companies, the corporate officers and workers agreed that industrial democracy is essential and they all want more of it. But they disagreed sharply on the limits of the concept.

Warren Nelson, Carburundum's personnel manager, said he is encouraging industrial democracy because, "I want the workers to expand as human beings on their job, and I know I dance to the balance sheet.

"I want their help in running the company to make it more profitable, but also to make it a better place to work."

But then he voiced a conclusion almost identical to that we heard later from Bengt Lagercrantz, president of the Virsbo Iron Works in Virsbo, Sweden:

"We want the help of the workers in making decisions, and our goal is to make this a better place to work, but we in management must retain the final decisionmaking authority.

"The average workers simply cannot look at the financial statements and the complexities of the marketplace and understand all of those things and know how to run their own job, too."

Clint Alverson, president of the union at Carburundum, insisted that, "We workers can run the production end of this business (which produces glass insulation products).

"The man on the floor making the product can best help the customer get exactly what he wants, although, sure, it might take a little upgrading in skills to make the system work."

Alverson, the American, sounded at first just like his union counterpart at Virsbo, Sweden. But while the management men in both countries were in agreement on their conclusion, the two union representatives were not. Both management men want final decisionmaking power to rest with them.

The Swedish union officer, Roland Wallin, wants a far more radical change than his American counterpart. Wallin wants workers to own the companies they work for and to hire the skilled management.

But the New York unionist insisted that “I believe in the free enterprise system, and I think the owners should continue to make the major corporate decisions, such as plant locations, new products, sales, and so on.”

Both Olivar and Jamestown are union-backed experiments in industrial democracy. Far more typical of experiments in the United States are those in nonunion firms such as the Eaton Corporation, a Southern textile manufacturer which has a management-imposed “quality of work life” program in 13 of its plants.

Management at Eaton denied that it uses industrial democracy as a device for keeping unions out of its plants, and so isn’t going along, officially at least, with the NAM version of the system.

But there are no unions in any of the 13 “new philosophy” plants of Eaton, and one company source claims that is partly due to the company’s use of the worker-participation program.

Eaton has joint worker-management teams to deal with day-to-day problems on the job. The teams, chosen by management, have eliminated time clocks and no formal work rules are posted.

Workers are paid by weekly salaries instead of hourly wages. They rotate jobs to add interest and lessen monotony.

The company recently estimated that its program had increased productivity by 35 percent, but it isn’t clear how or whether the workers share in these gains.

Some American corporate officials claim they really do want union cooperation in setting up in-

dustrial democracy experiments.

But they say it is not usually possible and so they start their experiments without a union whenever the company opens a new facility which is not organized.

One such firm is the Meade Paper Company, a giant corporation with 70 of its 80 plants under union contracts. Vice President John Cleveland talks about industrial democracy as “a part of the wave of the future.”

Looking out over the city of Dayton, Ohio, from the 26th floor of Meade’s world headquarters, the company executive said that his prime concern is to boost production, and the “new system” plants are showing startling productivity rates up to 50 percent greater than the company achieves in its “old style” facilities.

Part of that jump, of course, comes from the fact that the plants and equipment are new and modern, but he attributes a significant if unspecified proportion of the gain to industrial democracy.

Cleveland said that wages are higher under the new system than the old, but “it isn’t enough just to pay more money.

“That’s like saying we are all just mercenaries and don’t care what we do to earn more money.

“Today’s work force is not like the old one. Workers today really want a piece of the action, but that means management gains, too, because we get better decisions when workers participate in deciding such things as where to build a plant, who is going to do the jobs, and when to do them.”

But Meade’s industrial democracy experiments are management imposed and the goal of increased productivity is clearly aimed at getting workers to work harder, if more contentedly.

Cleveland said, without equivocation, that to get increased productivity he expects Meade employees to work harder while they are increasing their wages and improving life on the job. Workers in Meade’s unionized plants may call it a speedup, but Cleveland says it pays off in fatter worker paychecks, greater company profits, and

more worker satisfaction on the job.

“Some workers come into our new team system, with the teams performing many of the first line supervisory roles, and they tell us, ‘Hell, I don’t want to work that hard.’

“I tell them they have every right in the world to be lazy, but go be lazy down at our competitor’s plant.”

Cleveland’s views helped us understand why many workers and their union representatives suspect that even the most benign management-imposed industrial democracy program seems to have an authoritarian air about it.

Generally, American firms trying industrial democracy incorporate some decision sharing with such egalitarian notions as joint dining, recreational and parking facilities for management and workers, and the creation of autonomous work teams which make decisions that can include quality control, discipline, and new hiring.

But as Eldred, the Jamestown industrial democracy coordinator, put it, “The real problem with management-imposed programs, even the best of them, is that workers know without a union a company executive can wipe out all of the gains with a stroke of the pen.

“They can expect little protection from layoffs, and the name of that kind of game is to work harder and harder for more and more profits.”

Legislation is being studied in Washington to enable the Government to provide money to stimulate more industrial democracy projects in the United States, a role now played mostly by private nonprofit foundations, a few corporations, and a few unions.

The movement to industrial democracy is slow in the United States, but there is movement. And that very slowness here made the progress in several European nations seem to us like the revolution in industrial relations it truly is.

Chapter I

SWEDEN *The Old Order Changes: Democracy in the Factory*



Virso, Sweden

It was only 4 o'clock in the afternoon but already dark by the time we gathered in the small back room of the 17th century inn to talk with six men from the Virso Iron Works.

It was to have been a meeting with only workers who had agreed to talk with us in our 12-nation survey of industrial democracy. We were, we thought, to meet the company president the following day at his offices.

But soon after we seated ourselves around a table with the workers, the company president arrived. It was a mixed-up scheduling, but because of it our first interviews on our 6-month survey turned out to be a lively, informative confrontation.

The conversation, sometimes angry always spirited, dealt solely with the status of industrial democracy at the Virso Iron Works here in this rural village about 100 miles northeast of Stockholm.

But the discussions which went late into the night echoed an argument that is going on

throughout Europe and many other parts of the world.

Sweden has been a pioneer in the new industrial revolution, a revolution slowed but far from halted by the economic problems plaguing this country and much of the rest of the world. Because of its pioneering role, Sweden seemed a logical place to begin the survey of the nature and prospects of on-the-job democracy, its effect on workers, on corporate structures, and political systems.

The scene in the Virso inn that night could have been taken from an old film about the radical movement in almost any country.

There was Bengt Lagercrantz, the iron works president, about 50, tall and handsome in a tweed jacket and tie, sure of himself and his views. Obviously the boss.

And there were the workers, dressed in rough work pants and blue or gray cotton shirts. At first they listened as Lagercrantz and the reporter talked in English. Then, as the words were translated into Swedish, they grew animated, at times angry, and even hostile.

Most moderates and conservatives see economic democracy as a clever disguise for efforts to kill private enterprise. . . .

Early day radicals would have cheered when Leif Strom, a young, militant worker, told Lagercrantz that his beloved private enterprise system must go down in the new industrial revolution.

Yet those same radicals would have listened in disbelief as Lagercrantz talked of “our urgent need to increase democracy on our jobs, to find new ways to help us all enjoy our work more and, yes, to give workers more power and authority in running this company.”

He stopped short of advocating fundamental change in the power structure, saying that the new industrial revolution must not be allowed to break down the free enterprise system.

Private owners, he argued, should still have control of basic corporate decisions through their shares of stock in the companies, but workers should be helped, as individuals, to get a greater share of the stock.

But Strom was not content with that.

“Despite everything we have done here in Virsbo,” he said, “we have no true democracy, since in the end, you, the owners, can do as you please. Workers must have more real power.”

Lagercrantz called for action on two of the three broad concepts of the new industrial revolution, while strongly opposing the third. The workers wanted action on all three:

- All agreed that there should be substantial improvement in what is known as the quality of working life. This includes higher wage levels and annual rather than hourly rates. And the quality of working life has come to embrace much more than just more money for the workingman. It means such things as reduced noise and plant pollution, plant beautification, job rotation, flexible work schedules, redesigned plants to meet worker needs and desires.
- Lagercrantz and the workers agreed, too, that there is a need for giving workers more authority to make decisions about their jobs, through groups and as individuals, with as little supervision as possible. The employees, they felt, should help plan, design, and carry out their

duties.

The experts call this stage by a wide variety of names, including industrial democracy. It stems primarily from behavioral science research that has been going on for years—at the Tavistock Institute of Human Relations in London, by Norway’s Einar Thorsrud and Sweden’s Bertil Gardell, by Eric Trist at the University of Pennsylvania and by Louis Davis at UCLA.

While the experts in Sweden and other European countries disagree on many particulars of the quality of working life and job democracy, most management people, like Lagercrantz, and most workers and unions support the basic concepts.

- But here as in most of Europe, there was sharp disagreement over the third aspect of the new industrial revolution, which many call economic democracy.

Economic democracy is loosely defined as anything from worker participation in the ownership of companies to worker control of companies through majority ownership by means of pooling stock holdings through a workers’ investment fund.

Most moderates and conservatives see economic democracy as a clever disguise for efforts to kill private enterprise as it is practiced in most Western nations. But supporters of economic democracy insist it is simply an extension of political democracy.

The Virsbo Iron Works appeared to be a good example of a company in an advanced state of the new industrial revolution, but still far from the attainment of economic democracy.

The plant, which was started in the 17th century, has been modernized, and the workers have taken part in decisions on new equipment, designs of buildings, and production scheduling to meet sales requirements.

Regular meetings on production problems are held by a top-level “works council” composed of four union and four management representatives. The decisions are usually unanimous, and while Lagercrantz can overrule the council’s decisions,

he rarely does. He appoints his four representatives while the workers elect theirs.

On the floor of the foundry, individual workers or small groups of workers make decisions about their jobs, such as the special tools or equipment they need and their work schedules, which must be coordinated with the schedules agreed to for the plant as a whole by the works council.

There is relatively little authoritarian conduct by supervisors in Virsbo—one of the key goals of the new industrial revolution.

But even here there was less than complete satisfaction with supervision.

Roland Wallin, 39, president of the Metal Workers Union and a member of the works council, disputed Lagercrantz's contention that most workers at the plant are relatively independent.

"No matter what you say, there is still too much giving of orders around here by supervisors," Wallin insisted.

Lagercrantz, turning to Wallin, said, "Come on now. You know you would never take orders from anyone in this company, not even from me. Now isn't that true?"

He was pleased with Wallin's response: "Of course: Workers today in Sweden will not tolerate being ordered around as though we were children not capable of understanding our own jobs."

Then, pressing his conciliatory approach, Lagercrantz said, "It is true that we could not operate this company properly without getting people like Wallin and Strom and the other workers to help make decisions. And there must be even more of that."

But he quickly added, "Final lines of authority must be drawn, however, because the final responsibility for the success or failure of the company rests with management."

His views on workers having more authority over their jobs and on the need to improve the jobs were shared in large measure by almost all management people interviewed in Sweden.

Less commonplace is the degree of participation that Lagercrantz allows on broad company problems.

Under Swedish law, workers must have at least two representatives on the company board of directors. Usually those worker-directors simply listen to the majority appointed by the stockholders as they—the majority—discuss and decide major policy questions.

At Virsbo, though, officers of the Metal Workers Union and the works council help decide such questions. The worker representatives blocked a proposed plant opening in Spain, and are involved in almost all questions of corporate investment and expansion.

But the outspoken Strom said that the degree of worker participation in top-level decisions merely emphasizes its limits.

"Certainly," Strom told Lagercrantz, "we were asked for our views about opening a branch plant of Virsbo in West Germany. But we didn't know enough about it really to decide whether it was a good move from our point of view as Swedish workers, or just good for the banks that loaned money for the deal."

To most opponents of worker participation at the top level of management, Strom's complaint was at the heart of their objection that crucial managerial decisions must be based on years of training and experience, not on gut reactions to complex economic information.

Supporters of worker involvement in top-level decisionmaking usually agree, but say that the situation is being corrected by extensive worker education programs and by workers getting their own experts.

Some issues have been partly resolved through legislation, and ultimately Parliament will decide the most controversial of all the questions, economic democracy, and the extent to which private enterprise will survive.

For Lagercrantz, "There is already so much legislation that no one can keep track of it all anymore. I'm probably breaking some law or other this very minute sitting here at this table."

But far-reaching legislation has already been enacted in several European countries, particularly Sweden, making limited industrial

democracy a realistic way of giving workers significant amounts of authority over their jobs.

In Sweden, the newest law is known as the Co-determination Act. While it may be vague in many ways, its key provisions are plain.

For instance, employers are required to tell their workers about every "important" company plan and negotiate such plans with the union before carrying them out.

All information about corporate life, from profits and investments to new products and proposed cutbacks, must be given to worker representatives so that they can negotiate with the same information that is available to management. Nearly 90 percent of workers in Sweden belong to unions, so this means sharing information with the unions.

An employer can act quickly on, say, a proposed acquisition or some other matter without first discussing it with the union, but only if there is a "special reason" for haste.

If the union complains that the decision was taken to avoid negotiation and not because of a true need for immediate action, the company must defend its move in court and can be forced to pay substantial fines if it is decided that there were no legitimate "special reasons."

Until now, workers who were unhappy about corporate decisions were prohibited from striking to protest those corporate decisions unless they involved traditional collective bargaining issues such as wages or working conditions.

At Virsbo, for example, Lagercrantz would now be required by law to do what he did voluntarily; negotiate with the union about opening new plants in Spain and West Germany.

Now, if the unions disapprove such expansion, they are free to strike in protest. That is a real threat in this strongly unionized nation.

The Co-determination Act is not being fully enforced yet. The Swedish Federation of Labor and the Swedish Employers Association are working out guidelines for implementing it. Meanwhile, its potential is being examined throughout the country.

Government officials management, and union leaders estimate that the new law, along with other labor legislation, is being studied by nearly 300,000 people in classes that last up to 20 hours over a period of several weeks. About a fourth of them are in management-sponsored sessions, and the rest are in classes arranged by the unions.

Generally, employers and managers seem to be content with the Co-determination Act so long as it does not force them to give up their final decisionmaking authority, and so long as it is not abused by the unions.

The Act is the latest in a variety of laws aimed at improving the quality of working life and increasing the workers' role in managing their jobs.

Under one law, safety representatives chosen by workers can shut down any operation they deem unsafe. It is seldom used, but management people say it has meant turning matters of job safety and environment over to workers.

Another law sharply limits management's right to fire workers, even for economic reasons. One of the most restrictive job-security measures in Europe, it requires employers to prove serious misconduct before dismissing a worker and to give up to 6 months' notice even when there are layoffs arising from a lack of work.

There is a possibility that Sweden will soon adopt a law requiring management to allow union meetings on company time.

According to Olof Bergqvist, who helped draft the Co-determination Act, none of the laws, even the act itself, "takes away the right of management to make final, crucial decisions. They simply call on the social partners (labor and management) to negotiate all issues that affect the companies. It is up to the social partners to put flesh on the bones of the legislation we have constructed."

As a result of such legislation, Sweden has more on-the-job democracy than any other country. But some maintain that the cost has been high. For example, a new Volvo auto assembly plant incorporating worker ideas runs at a cost that is 10 percent higher than it would be without

The costs of industrial democracy, they believe, are compensated for by fewer strikes and increased efficiency.

them. Volvo insists that the result has been increased product quality. But an estimated 35 man-hours are required to produce a car body at the new plant, compared with 25 hours in the United States.

Sweden's economy, like others in Europe, is in trouble, but few here put the blame on industrial democracy. Most economists and employers believe that Sweden's economic troubles can be attributed to a worldwide situation brought on by higher oil prices and other factors.

The costs of industrial democracy, they believe, are compensated for by fewer strikes and increased efficiency.

Many industrialists contend that the economic problems have been caused by the social benefits that have made Swedish taxes among the world's highest.

Gunnar Lindstrom, an official of the Swedish Employers Association, said that industrial democracy would be all right "if we could just stop where we are now." He said he was not so concerned with the cost so far as with the plans of the Social Democrats and the unions to take away the authority that management still has.

Because of the arguments over costs and because of Sweden's serious economic problems in general, many observers believe that further advances in job democracy and the quality of working life will come slowly, at least for a while.

But advocates of continued advances insist that in the long run it will be the changing nature of Sweden's workplaces that will allow this country to compete with larger nations.

Social and behavioral scientists who are encouraging more on-the-job democracy contend that formal power at the top is not the crucial issue in bringing more change to people's working life. The real heart of the new industrial revolution, they insist, is distribution of power at the lower echelons.

These experts and most union and management people agree that there is little rank-and-file pressure for changing the system of private ownership, and only limited pressure for more

worker authority over their own jobs, even when the jobs involved are routine and repetitive.

Bertil Gardell, one of Sweden's best known social psychologists, said in an interview at the University of Stockholm's Psychological Laboratories that workers "whose jobs are narrow and repetitive have little interest even in their own work."

But, he added, studies have shown that when job structures are changed by job rotation to help avoid excessive repetition, by creating autonomous work groups that require decisions, by eliminating assembly lines, or by other innovations, then job interest is stimulated and industrial democracy can become a reality.

Sven Erik Sjostrand of the Stockholm School of Economics agreed and said that the Co-determination Act will thrust higher-level company problems on workers, and that this will further spur industrial democracy as workers start trying to cope with the problems, and find them both challenging and interesting.

After 44 years of a socialist-dominated government linked to socialist unions, more than 90 percent of Sweden's industry is still in private hands, mostly controlled by just 15 wealthy families.

The government estimates that there are about 750,000 Swedish shareholders in a population of 8 million, that 3 percent of them own 66 percent of all outstanding shares in private industry, and that 1,000 individuals own 32 percent of the shares.

Now, for the first time in decades, there is a serious effort to change the power relationships at the top, not just on the job. It is this proposed change that is being called economic democracy.

Kalle Danielsson, an officer of the Hotel and Restaurant Workers Union in Stockholm, said that labor harmony was easy to maintain "as long as profits were high, wages good, and our extensive welfare system took care of those who didn't share in either the wages or profits."

But now that Sweden is in serious economic trouble, he said, "management is not so generous and our old theories of class cooperation didn't

lead us where we should have been going all along—toward a form of socialism.”

Management people, shareholders, and a large portion of the professionals and workers seem equally determined to resist the push for economic democracy, which, as first proposed, was seen by most people here as a grab for more power by the already powerful trade unions.

Rolf Lindholm, a top executive in the employer association, said that most employers in Sweden have “no problems with the bulk of industrial democracy, and, in fact, we encourage it.”

But, he warned, “We cannot and will not accept a takeover of power by the unions through what is known as the Meidner plan.”

Rudolph Meidner, a union economist now visiting the University of Wisconsin, proposed 2 years ago when Swedish corporate profits were high, that a massive wage earner’s investment fund be created by law.

Corporations would be required to put about 20 percent of their profits into the fund which would, he suggested, be managed by the unions as the representatives of wage earners. Profits would be paid in the form of shares in the companies, and in time the union-managed fund would be the majority shareholder in most Swedish corporations.

Obviously, if carried out as Meidner proposed, it would have given enormous power to unions. That prospect was used by foes of the Social Democrats to help defeat them in the 1976 elections.

Ingemund Bengtson, second most important

leader of the Social Democrats, said that his party’s opposition used only “horror versions of the Meidner plan to fight us with. And we weren’t prepared to counter them, because, for us, the idea was then still in the planning stage.”

But he, like union leaders and other Social Democrats, is convinced that despite the election loss, the basic idea of economic democracy will ultimately win broad public support because of a widespread belief that the present unequal distribution of industry ownership is wrong.

And they insist that Sweden’s economic troubles will spur, not retard, the campaign for a basic change in the power structure.

The new, revised tactics of the unions and Social Democrats will be to stress the need for new investment capital in Sweden.

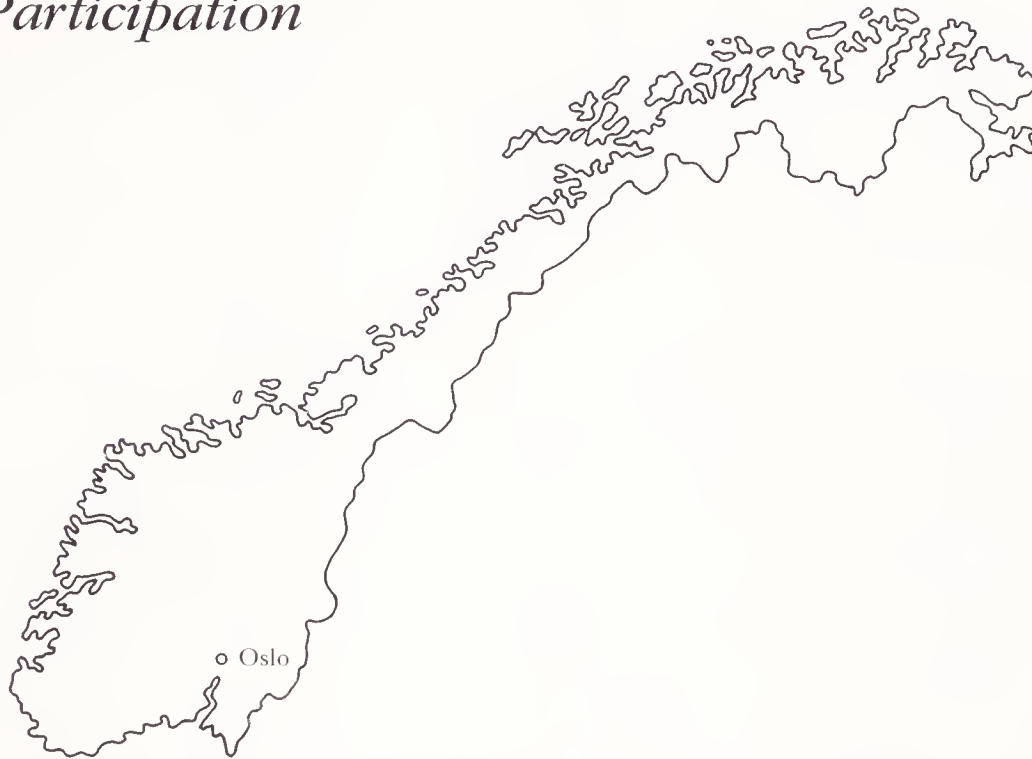
This will be the cornerstone of a campaign in favor of a Swedish Public Investment Fund, probably calling not only for a share of profits, but also for worker savings as well. Proponents of such an investment fund indicated that it would be controlled not by unions but by a combination of elected national government officials, unions, corporate executives, and representatives of local communities.

Bengtson said that final plans for the Social Democrats’ version of economic democracy are still uncertain, “but the key will be democratic control of the giant corporations.”

Some version of it, he predicted, will come in the next year or two, and in the meantime, industrial democracy as practiced at the Virsbo Iron Works continues to thrive.

Chapter II

NORWAY and DENMARK *Industrial Democracy: Profit and Participation*



Oslo, Norway

Strange alliances are being formed in many of the world's most economically advanced countries as staunch conservatives join with farout radicals to promote a new industrial revolution.

Mostly to boost profits and productivity, some corporate executives are fomenting revolutionary changes in labor-management relations in the name of "industrial democracy."

Some radicals are encouraging it as a means of upsetting the capitalist system.

And many workers hope to get more authority over their jobs, to improve that third of their lives they spend at work.

Simultaneously, equally unexpected alliances are forming to stop the revolution.

Some corporate leaders see industrial democracy as a threat to the established way of doing business, as something which will only cause delays in making crucial managerial decisions.

Some radicals see it as a prop for capitalism. And some workers, especially in the United

States, see it as a new trick by their bosses to get them to work harder for less money.

This survey of the status of industrial democracy found some validity in each of those conflicting views. But the advocates of change are clearly winning, even though their victory apparently will come less rapidly in most countries than they had planned.

Industrial democracy is well advanced here in Norway as it is in neighboring Denmark and Sweden. All three nations now have laws which require companies to allow workers to sit in on top-level executive meetings and have a minority voice in everything the companies do.

Most corporate executives questioned in Scandinavia said they were pushing the new system primarily in hope of increasing profits, but many insisted they were backing it as a social duty. A few said they support it because of its seeming inevitability.

Unions in Scandinavia are more ardently behind the change than management but many union leaders want industrial democracy extended so that workers will dominate, not simply

share, in the decisionmaking process.

Paul Kraby, president of the powerful Norwegian Employers Association, told us:

"You should know that by 1980 we expect our small nation of 4 million people to have the highest per capita income in the world. Oil pouring in from the North Sea discoveries will obviously help us reach our goal.

"Industrial democracy is another and almost equally important force pushing this country to the top of the world's economic ladder, and it could not function if it were used as a weapon to fight workers or their unions.

"On-the-job democracy is really aimed at management's major goal, which is a profitable company. For us, as for American companies, that is the bottom line."

The interest in improving profits and productivity, combined "with a serious interest in improving work as a social goal," is encouraging employers here and elsewhere in Europe to relax but not entirely surrender their rule over the workplace, he said.

Hesitating briefly, apparently in an effort to find words that would not offend Americans, Kraby added:

"Here in Norway, management interest in profit as a motive for supporting industrial democracy is not regarded with suspicion by our unions, because we have developed a greater degree of mutual trust between employers and workers than you have in the United States.

"Workers decide, without management's advice, if they want a union, and our laws require worker participation in corporate decisionmaking. We in management don't understand how American companies can be so opposed to unionization since the LO (the Norwegian equivalent of the AFL-CIO) has contributed so substantially to the peaceful labor relations of our country.

"Management people here know they cannot rely only on their own insights and judgments. We have at our disposal the thinking and experience of workers who have a much higher

degree of competence than ever before—competence which managers themselves do not always possess—which represents a major resource that must be utilized," the Norwegian corporate leader said.

The fact that unions are generally accepted in Scandinavia helps explain why Scandinavian corporate officials expect to work through unions in developing the kind of trust and cooperation they say is necessary to make industrial democracy succeed. Mutual trust is easier to gain because of such factors as the relatively small, homogeneous populations, lack of racial problems and one dominating religion, the Lutheran.

Most of the European union leaders said that unions are and should be an integral part of government, closely tied to political parties. With some exceptions, they are fighting to become part of management.

The Northern European countries have enacted laws requiring some degree of decisionsharing but the extent varies from country to country. In Norway, for instance, a law enacted in 1973 requires all companies with more than 50 workers to take a vote to see whether the employees want to be represented on corporate boards of directors. In 95 percent of the companies, the workers voted overwhelmingly for representation.

In Sweden, the workers are allowed only two representatives on such boards but the workers here are entitled to a full third of the membership. All workers take part in the elections, whether or not they are union members.

There is strong union pressure in Sweden to achieve worker majority on the boards, but here in Oslo top union officers said that for them it is just a vague, long-range legislative goal.

"Actually, we in Norway are not too concerned about ownership of private companies," said Harry Hansen, secretary of the Norwegian Federation of Trade Unions. "Our trade union idea is not to worry so much about each individual company, but to control the economic policies of the country by political influence."

Industrial democracy must include using the workers' opinion, not just asking it.

Many of Norway's major companies—transportation, utilities, communications, and oil—are government-controlled, but the greater part of industry is still in private hands, as it is in Denmark and Sweden.

The publicly owned companies are already dominated by workers, according to Lars Aarvig, the retiring director-general of the Norwegian Employers Association.

He said that on all public boards there is tripartite representation—management, government, and unions.

“But union representatives and the Social Democrats (members of the political party in power) often just meet in private and then announce their joint majority decisions to us in management, and so we in management usually lose most debates,” Aarvig added.

Kjell Johnson, personnel director for the city of Oslo disagreed saying that most decisions are made without serious controversy. In Oslo, he said, the city has 80 joint committees of workers and management.

“An overall budget is set by the elected city council (where there is a majority of union-backed Social Democrats), and then the committees decide how to spend the money,” he said. “In fact, they almost always reach agreement unanimously.”

Norway began experimenting with industrial democracy at the shop-floor level in the early 1960's, and the results of the experiments are being copied around the world. Still, like other countries, Norway has had a number of failures, and there has been disagreement over the cause of those failures.

One well-publicized experiment was undertaken at a government-owned drug company in Oslo, Norsk Medisinaldepot. The project included everything from elimination of foremen to rotation of jobs so that dull work was shared by almost everyone in the plant.

But recently, basic changes have been made. The foremen were rehired, the autonomous work groups, which decided their own routines without

supervisors, were eliminated, and the only explanation given in an interview with the personnel director, Hans Osten, was that “There was just a lack of interest among the workers.”

“Everybody got tired of the game,” Osten said, “so we are giving it up.”

Bjorn Gustavsen, director of the Institute of Work Psychology in Oslo, had a different explanation.

“It wasn't a matter of losing interest,” Gustavsen said. “They thought just having the group system was enough. It isn't. But there was an even more practical reason for the workers 'losing interest' in democracy on the job.

“During the experiment, the company moved into a new location, and despite the group system, top management ignored the workers' advice about the change. The new building included large executive office suites, with view windows and other amenities for executives. Almost irrationally, in the rest of the building there were only small windows just below the high roof. The workers had no view of the outside at all.”

Industrial democracy, Gustavsen said, must include using the workers' opinion, not just asking it. Otherwise, they will lose interest. Ignoring the views of the workers may result in seemingly petty problems, he added, but “they can turn people off of the entire idea because they lost interest.”

Legislation is the continuing spur for industrial democracy. In Denmark, for instance, there is legislation requiring worker participation at the top level of corporations and at the shop-floor level through work councils elected by all employees.

Denmark's law requiring workers on boards of directors puts no limit on the maximum number but requires at least two. As in Norway, workers must vote for the idea itself before they elect representatives.

“Industrial democracy here in Denmark is really an old-fashioned idea by now,” said Kaj Westergaard, chief economist for the Danish department of labor.

Denmark's industry is generally ruled by

... the unions may agree to hold down wage increases in exchange for more influence in running the companies.

mutual agreement between workers and owners, but the final authority remains with management, he said.

There is continuing pressure to extend industrial democracy but, as Westergaard said:

"The truth is, there are no grass-roots pressures for workers owning all or even part of the companies. And it is a lie to say otherwise. That, too, will come about gradually in Denmark, and one factor which may speed its coming is Denmark's current economic troubles."

There is an urgent need to contain inflationary pressures, he said, and the unions may agree to hold down wage increases in exchange for more influence in running the companies.

The major concern of management in Denmark, as in Sweden and Norway, is to prevent any further moves toward worker domination of the corporate decisionmaking process.

Poul Schade-Poulsen, a top officer of the Danish employers confederation, said, "The Scandinavian managers want to make every worker a small capitalist, which we think will give workers the direct interest they want in corporate profits. "That idea is harmless to our goal of maintaining a private-sector system because while it gives a direct monetary interest to workers in their companies, it will give them no significant influence as a group."

Some unionists, however, want workers to acquire stock shares and pool them to accumulate a majority share in company ownership.

Most of the union and management people interviewed in Denmark said it would be years before the present system of limited industrial democracy is changed, but some key people expect major changes much sooner.

We visited Per Haekkerup, minister of economics and one of the most influential men in Denmark, who is convinced that his country "will have a start on economic democracy in the next year or two."

He sees the probability of putting a new, small tax on wage earners themselves, in addition to those already imposed. The money that new tax

generates will be added to a new, small tax on profits, and the combined total used to buy shares in private corporations.

"Ideally," he told us, "the fund will be run by a sort of troika of representatives from management, wage earners, and the state on a tri-partite basis,"

"Within a few years—10 to 20—the fund could own a large portion of industry in Denmark," he said.

"It is unfortunate," he said, "that industrial democracy giving workers only a share of decisionmaking powers too often degenerates into questions of where to put the toilets and where to park the cars and bicycles."

To make industrial democracy really work, Haekkerup believes there must be a true sharing of power at all levels of every company.

In all of our interviews in the three Scandinavian countries, those who tried to find a common thread in the development of industrial democracy seemed to agree that Harvard social scientist Richard Walton came closest to it with his contention:

"Education levels are up, job security, and job incomes are up. There is a decreased emphasis by churches, schools, and families on obedience to authority.

"Instead, they are promoting individual initiative, self-responsibility, and self-control and other social matters that make subordination in the traditional organizational structure increasingly difficult to accept for each successive wave of entrants into the work force."

In brief, Walton's notion is that the rebellion of youth in the universities during the 1960's is manifesting itself in the workplace now.

Some supporters of industrial democracy believe that giving workers increased responsibility for their jobs will not just improve job satisfaction and profits, but may be necessary to hold society together in an era of increasing independence and ever higher levels of education.

Even opponents of industrial democracy seem convinced that major changes in labor relations

are coming, and while they are still seeking alternatives to major increases in worker participation systems, they too seem to agree that coming generations of workers will not be content with the old totalitarianism on their jobs.

In any case, it seems obvious here in Scandinavia that there are, indeed, strange alliances being formed to promote the new industrial revolution even though its final goal is still undefined.

Chapter III

WEST GERMANY *Corporate Democracy: An Elite of Its Own*



Leverkusen, West Germany

Hans Weber, one of West Germany's more influential citizens, has been the butt of many derisive jokes, and he is not amused.

Weber is a worker-director of the multi-billion-dollar Bayer Corp., which has its world headquarters in a handsome, 28-story building here.

He has heard all the stories about West German worker-directors who have "sold out" to management and are now indistinguishable from their management counterparts, Weber told us.

"Those jokes are made up to repeat lies and I am sick of them," he added. "Our system works well. Maybe that's why some of our critics are so unhappy."

West German workers have a stronger voice in the management of the companies that employ them than any other group of workers in the Western World. And the West German government is investing more money than any other nation in experiments to improve the quality of life on the job.

The West German economy is among the

world's healthiest, a condition that stems—according to Weber and many others here—in part from the degree of industrial democracy at all levels of corporate life.

Yet despite government-mandated worker participation in running the companies, and despite the large sums being spent for job improvements, the system is widely criticized.

Few question the prosperity of West Germany, even with its unemployment rate of about 5 percent, which is high for this country. But the usual explanations for the prosperity range from the high level of capital investment per worker to the contention that Germans are, by nature, authoritarian and patriotic, and when some high authority says productivity must increase, then productivity increases.

Many leaders, including government policymakers, contend that the generally cooperative attitude in labor-management relations has long been a fact of West German economic life, and that this attitude has helped create the country's enviable economic situation.

The best known aspects of industrial

democracy here are the “codetermination laws” that put worker representatives into the highest echelons of management. Cooperation at the top levels has avoided much industrial strife, yet it is the top-level system which comes in for the most criticism.

Many opponents of the West German concept of codetermination contend that the worker-directors have been coopted, and identify themselves with corporate interests to such a degree that they no longer truly represent the worker.

Stories are told here and abroad about worker-directors who allegedly live in company-furnished mansions, who use chauffeured limousines supplied by the corporations, and receive large salaries as worker-directors in addition to their other incomes.

There may be abuses of the system, but none of any significance were found by us in the course of our survey of industrial democracy in West Germany.

Worker-directors are relatively well paid in relation to the average income here. Their salaries as directors range from about \$5,000 to \$30,000 a year, but even with their income from other sources, they earn substantially less than their corporate counterparts.

While there is relatively little direct participation in management by the workers themselves, the great majority of them take part in the election of their representatives, who do have a say in West Germany’s economic life.

Men like Weber may not be getting wealthy as worker-directors, especially since the German Labor Federation has a policy that requires worker-directors to put at least 50 percent of their director salaries into worker education funds. But they are accorded privileges that few other workers enjoy.

For example, Weber was accompanied to our interview by a young Bayer executive, Vido Mosen, who noted that we had arrived in Leverkusen in a rented car.

“It’s too bad you didn’t make your arrangements directly through our company offices in-

stead of through the Labor Federation,” he said. “We would have picked you up in Bonn (about 60 miles south of here) in a Mercedes from the fleet we keep for executives, and we would have arranged for you to lunch in our executive dining room on the 26th floor. We have the best kitchen on the Rhine, you know.”

Worker-directors are entitled to similar privileges, which Weber said he seldom uses but which add credence but no real substance to stories about the nonegalitarian role of worker-directors in West Germany.

Weber strongly defended the system. His arguments were generally typical of those made by other worker-directors and company officials.

He said there is active worker participation in the codetermination system, which is based on the theory of representative democracy.

“It’s true that I have held some kind of office for nearly 18 years,” he said, “but I have always had opposition in my own elections here at Bayer, and between 65 percent and 70 percent of all Bayer workers take part in them. That’s a better turnout of voters than you get in presidential elections in the United States.”

Weber scoffed at the idea that worker-directors are getting rich. He said he makes \$20,000 a year as a Bayer worker-director, but gives half of that to the worker education fund and pays another \$5,000 of it in taxes, “leaving me \$5,000 a year for what in some ways is a full-time job.”

In addition, he makes \$22,000 a year as head of the Bayer works council, the workers group that deals with day-to-day company problems.

Officers of the Bayer Company here in Leverkusen and the union leaders both contend that industrial democracy has helped this country’s corporations increase profits, and that the workers share the economic gains.

Just 15 years ago, we were told, wages of workers in Bayer plants in the United States were three times higher than wages of workers doing the same kind of jobs in Leverkusen.

Today, Bayer workers in both countries earn about the same basic wage of \$6.50 an hour.

Codetermination at the top levels actually began as an anti-Nazi concept after World War II.

But the advantage is now with the West German worker because here in West Germany benefits total about 60 percent of the average wage while benefits in the United States total only about 30 percent. Benefits include such items as a 13th month pay each year as a special bonus, a system now extended to nearly 75 percent of all West German workers.

The philosophy behind the codetermination laws here were summed up for us by Hans Klunker, president of the million-member Public Employees Union, which includes members of the armed forces.

"Here, the economic partners, workers and management, go on the theory that we must cooperate to make a bigger economic cake instead of fighting one another regularly over the size of the slice each one gets.

"At times we do fight over the size of the slices of cake, but even those fights during our contract negotiations are made easier by the overall atmosphere of harmony, which is due partly to our system of industrial democracy."

The West Germans don't fight over basic data, for instance. By law, all information about company plans and finances must be given to worker representatives, and all planned changes must be discussed with the worker representatives before the changes can be made by management.

Workers have veto power only over management plans which directly affect them, but their views are heard on all issues, and German unionists are convinced that knowledge is a form of power they want more of.

Another "harmonizing factor" in West German labor relations is the small number of unions. There are 16 for all of this country's 8 million union members compared to more than 100 unions for the 14 million workers in the AFL-CIO in the United States.

There is almost no strife among the unions which are highly centralized and which give substantial authority to the DGB, the German equivalent of the AFL-CIO.

Unions here rarely quarrel with one another

over politics. All 16 union presidents are members of the Social Democratic Party.

Even Rudolph Judith, vice president of one of the most militant of the German unions, the 2.6 million-member metal workers, says, "socialism through government ownership of basic industry is only a long-range goal with no likelihood of coming about anytime soon." Few of his conservative colleagues would quarrel with that forecast.

But the unions are generally united in one goal they want now: to share power equally with company owners in managing West German corporations.

That demand is vigorously opposed by corporate leaders. Management is often among the most enthusiastic supporters of industrial democracy, but only so long as management retains the final decisionmaking power.

Codetermination at the top levels actually began as an anti-Nazi concept after World War II. The allies then occupying Germany were determined to break the power of the German coal and steel industry, the owners of which had been among dictator Adolf Hitler's most ardent supporters.

Unions had been stamped out by the Nazis, but those union leaders who were not killed by Hitler's troops were encouraged by the allies as an anti-Nazi force. The unions then were pressing for some form of democratic socialism.

The German corporate leaders who were not jailed for war crimes were seeking some means of avoiding the dismantling or nationalization of the industry. The result was "parity codetermination" for the iron and steel industry.

The only real codetermination — meaning equal — in West Germany even today is found in the coal and steel industry, where representatives of workers and managers share equally in the power at the top, in what is called a board of supervision.

The elected directors of a coal and steel board of supervision select a neutral chairman, who is given a rarely used tie-breaking vote.

These boards set general policy for the industry

... the final decisionmaking power at the top level of all corporations here except coal and steel still rests with management.

and appoint second-level boards of directors that actually manage the companies.

The unions have tried ever since World War II to get true codetermination, an equal sharing of power at the top, in all West German corporations. But the closest they have come is a new law which in effect gives worker-directors a ratio of five votes on the boards of supervision compared to seven for company officials.

The new law which went into effect in 1977 applies to all firms with more than 500 workers and is really only an extension of an earlier one which gave a third of the seats on the corporate boards of supervision to worker-directors. The latest revision, then, is not actually a basic shift of power but it does increase the workers' power.

As of now, at least, the final decisionmaking power at the top level of all corporations here except coal and steel still rests with management.

As it was finally adopted in compromise form, the law gave worker-directors more power on paper than they have in reality. For instance, their full membership on boards of supervision is supposed to be equally divided, which is the voting strength the unions sought.

The catch in the law is that one of the worker representatives must be a management-appointed supervisor. Also, the board chairman, who is chosen by management, is given the right to cast two votes in case of a tie.

Nevertheless, even with only near-equality at the top, worker-directors have vast powers to influence the corporate operations on everything from investments and mergers to new products and plant shutdowns.

Crucial day-to-day company decisions are, in practice, left to full-time corporate executives. In coal and steel, where there is an equal number of directors from management and workers, the executives rarely risk offending half of their directors on any key issue because they can be fired with just one management-director voting with the worker-directors.

And worker-directors in other companies are seldom ignored even though they are only a

minority because managers don't like to risk dismissal which could come if the worker-directors are offended and just two management-directors are also made unhappy.

Werner Low, attorney for the confederation of German employer associations, said during an interview in his offices in Cologne that no one in management any longer thinks seriously of challenging the parity codetermination law in coal and steel.

We were surprised that Low added: "In fact, I doubt that the industry would be any more efficient or profitable with a lesser ratio of worker-directors in coal and steel."

It was surprising because industry owners and executives are fighting the continued efforts of unions to extend to all industry the coal and steel system of equal management and union representatives on boards of supervision.

They first fought its extension with success in the parliament, retaining the crucial decision-making authority for management. And they have also moved into the courts to try and block extension there in case the Parliament changes its mind later on.

In coal and steel, the worker-directors have the power to block the appointment of any director of personnel, but the unions failed to get that authority in the new law affecting other industries.

Nevertheless, Low's belief that equal power between management and workers in coal and steel has not hurt efficiency showed the degree of acceptance industrial democracy has throughout West Germany.

There are almost no fundamental arguments here over two other aspects of industrial democracy; works councils and government-financed experiments to improve the quality of working life.

The idea of works councils dates back to before World War I in Germany. Because of their power and because they work directly in plants and offices, the councils are in many ways more important than the better known top-level worker-

directors.

Their powers seem immense. They have what amounts to a veto on a wide variety of issues.

In other countries, the United States, for example, unions have a sort of veto right over management actions; they can strike in protest if negotiations fail.

But here management is not allowed, by law, to act without first getting works council approval on such questions as shutdowns, layoffs, transfers, major equipment changes, work schedules, overtime, company work rules, social services, and employee housing (often partially paid for by the companies).

To help adjust machines to workers instead of workers to machines, the government decided to start a massive "humanization of working life" program in 1974.

By 1977, the government was spending about \$25 million on a wide variety of programs ranging from attempts to reduce stress and physical strain to systems for elimination of assembly lines.

The 1978 budget totals more than \$40 million, more money by far than is being spent on "quality of work life" experiments in any other nation.

The largest single project has been at Volkswagen, where the government gave nearly \$5 million to help see if assembly-line production of small engines could be abolished at the Salzgitter plant.

Similar systems are working in Sweden, where an individual Volvo worker assembles an entire engine in about an hour instead of spending less than a minute on just one or two repetitive tasks. Would that system work for Volkswagen, with its huge production output?

After 2 years, the experiment bogged down over procedural arguments because the workers in the new system were put into autonomous work groups and given a high degree of authority to pace themselves.

Both the union and the works council leaders protested that their function of dealing with management on behalf of workers was being taken over by the autonomous work group.

The social scientists working on the project had apparently ignored that crucial organizational conflict. The government has withdrawn from the project because of the protests.

"It just wasn't orderly enough for us Germans," one source said.

But the procedural dispute is regarded as only a temporary setback.

Dr. Gunter Keyl, a government engineer involved in the experiments said, "All the data are not in yet, but it has been a success despite the arguments over lines of authority."

The data, he said, showed that large diesel engines can be assembled without assembly lines of workers performing routine, repetitive, small tasks which can be physically debilitating.

He estimated that production costs of the large, six-cylinder engines will be about the same, with or without assembly lines.

Other sources say that the high-volume production of four-cylinder engines costs nearly 40 percent more without assembly lines than with them.

Keyl said there are no final cost figures yet, "but regardless of the initial estimates I'm sure they can be lowered by improving methods of transporting the small engines from work station to work station."

In any event, Keyl said, "Overall, we are greatly encouraged by the experiment, and we are now putting government money into experiments to get rid of repetitive, assembly-line work not just in autos but in electronics' chemicals, and even in the manufacture of clothing."

If the findings of the various experiments can be substantiated, the works councils and the worker-directors have the legal authority to insist on their widespread use to improve the health and happiness of workers.

Germans have long been thought of as an orderly, disciplined people who believe in hard work, but almost everyone interviewed for this survey said that absenteeism is rising and that the German worker today is almost as much a "clock watcher" anxious to quit work as any American.

It is for this reason that government, union, and industry leaders are trying to bring about more changes in working life, balancing somehow the cost of change with a determination to make work more attractive, or at least less unattractive than ever before by increasing industrial democracy.

The battle lines are still drawn, however, on the

question which has divided management and workers in all countries practicing industrial democracy: how much power should workers have in the companies. Management everywhere is fighting all attempts to divide the power equally.

Chapter IV

HOLLAND and BELGIUM *Dutch Works Councils: Power Seldom Exercised*



Rotterdam, the Netherlands

The problem for 1,800 Dutch packing house workers began a couple of years ago when Americans started eating more Polish ham than Dutch ham.

There was no noticeable difference in taste but the Polish hams were cheaper. Exports of Dutch hams to the United States dropped drastically.

"We were losing millions of guilders a year, and decided we had to cut back production and lay off about 1,800 of the 4,300 workers in our meat-packing division," said Rudolph Haveman, personnel director for Unilever, a giant multinational corporation.

But under Dutch law, which provides a substantial measure of industrial democracy, layoffs are not carried out at the drop of a management decision. As in West Germany and other Northern European nations, proposed layoffs must be cleared with elected worker representatives on "works councils."

"The Polish ham incident," Haveman said, "is a good one to help explain how at least part of

our system works."

Unilever managers met with the works council to explain the problem. They said that if production and the payroll were reduced the economic losses would affect all Unilever workers, not just the 1,800 meat packers.

But the works council was not convinced. Doubts were reinforced by worker pressure at Unilever and by the Dutch unemployment rate of about 5 percent, which is high for this country.

The works council then exercised its legal rights to bring in a group of outside financial experts, who were asked to evaluate the impact of Polish hams on Dutch ham sales.

If management's financial figures are correct, the consultants were asked, are layoffs the only feasible alternative? Can sales promotions or reductions in other costs save the jobs?

Ultimately, the layoffs were carried out, Haveman said, but the workers involved received special help in locating other jobs, and that help was planned jointly with the works council.

"It's the kind of consultative cooperation which we think makes our labor relations system pretty

effective,” Haveman said.

Industrial democracy is more extensive here and in West Germany than in nearby Belgium, which has almost no legislation requiring worker participation in decisions that affect their jobs. But not all employers in the Netherlands are as optimistic as Haveman seemed to be about the future, even though labor strife here is as rare as it is in West Germany.

Carl Van Vulpen, one of the most outspoken and influential of Dutch business leaders, said there may be some economic trouble ahead because of world trade difficulties and the leveling out of production from the natural gas supplies that have helped the Dutch achieve almost as much economic success as the West Germans.

But Van Vulpen said he is even more concerned about “the continued radicalization of our country, a trend which could hurt if not wreck the usually harmonious relations we have developed over the years between workers and employers through worker participation programs.”

Van Vulpen, head of the Dutch Employers Association, said that the members who include almost all the employers in the country, are not unhappy with the kind of participation which resulted in the Polish ham incident at Unilever.

But now, he said, the unions are trying to “grab control of the entire economy, and they’re getting help from their political allies. That isn’t industrial democracy, it is an end to a free market economy and it cannot work.”

In West Germany, a federation of all the unions has long demanded an equal voice with management at the top level of all corporations.

With the support of their political allies, the Social Democrats, the West German unions came close to their goal last year, but management still has a majority vote at the top corporate level.

In the Netherlands, however, two of the three major labor federations (Catholic and Socialist) are demanding not just an equal voice at the top but majority control for worker representatives. They are not alone in this. Unions in Great Bri-

tain and Scandinavia also would like majority control at the top, and are publicly urging it, even if West German unions are not.

But to Van Vulpen, the demand for superiority on the top boards is another sign that “the unions here want to tear up the old system entirely.”

“They are demanding,” he said, “that first we help dig our own grave by not fighting their legislative proposals, and then, they say, they will discuss with us the changes they want to make.”

The unions deny this. The Socialist and Catholic federations say they do not want legislation that would give workers slightly more authority at the top but leave management with the final power to make decisions. They would rather wait for more dramatic changes.

The Protestant labor federation here does believe in a system of equal sharing of power at the top, but its voice is relatively weak. In the meantime, the unusual Dutch system of “co-optation” continues. Through this system the workers have a voice—however indirect—in the top levels of management.

In other countries, in West Germany and the Scandinavian countries, for example, workers elect representatives to serve on the top-level boards. The numbers vary from country to country.

The Dutch decided in 1973 to compromise a bitter argument over how many worker-directors there should be by letting incumbent board members choose their successors. New corporate directors can now be nominated by unions, works councils, and stockholders as well as incumbent directors, and both works councils and shareholders can veto any nominee they believe would not fairly represent their interests.

The law seems to give the Dutch works councils great power, but it is seldom exercised.

Arnold Auworns, head of the works council at Unilever, said, “the truth is, we have never tried to veto a candidate for the board at this company.”

But everyone interviewed agreed that the “co-optation system” has had a major impact because

... the works councils are regarded ... as more representative of workers than worker-approved directors of the companies.

incumbent directors do not put up candidates they feel will be rejected as antiunion or anti-worker.

The top-level boards appoint lower level officials who direct day-to-day operations based on budgets and broad policies set by the boards. These must be acceptable to the workers.

But the works councils are regarded as the more important aspect of industrial democracy and more representative of workers than the worker-approved directors of the companies.

The council chairman is the chief executive of the company, or his appointed agent. The rest of the council members are elected by a secret-ballot vote of all workers, not just union members.

Members are nominated by the unions, or any group of at least 30 workers, and every firm with at least 100 workers must have a works council.

Since information itself is a form of power, the works councils derive part of their strength from a law which requires companies to give the councils all information about corporate plans and finances.

The councils must be consulted on such major matters as expansions, mergers, purchases and disciplinary systems. They can veto work rules, changes in profit-sharing and pension systems, and all matters dealing with safety and health.

Thus, the works councils are influential bodies created by law. Although most of their members are unionists, they are frequently more conservative than the national union leaders.

At the national level, unions negotiate labor contracts with entire industries, and the terms of those agreements must be extended to all workers, whether or not they are union members.

This automatic extension of union-negotiated benefits and the independent works councils elected by all employees have combined to help keep union membership down to about 40 percent of the work force in Holland.

Union officials were almost never seen in Dutch factories and offices until about 3 years ago, when they began to worry about their position in the economy and began a campaign for

representation.

The fact that they do negotiate wages for all workers and have strong political alliances made them a major power in the Netherlands, far greater than is indicated by the number of members.

But Wil Albeda, a former union leader and university professor who is now the minister of social affairs, said that the unions had to start pushing for more direct contacts with workers because without such contacts "there was a danger that the whole well-developed structure at the top might eventually collapse."

As of now, however, the unions still have substantial political influence and it is this political reality that Van Vulpen says "could well result in giving the Dutch more radical legislation than any other nontotalitarian nation in the world."

While there is general agreement that there will be more legislative changes to increase the degree of industrial democracy, it is not likely to be immediate—or as drastic as Van Vulpen fears.

As one observer put it, Dutch politics have long been incomprehensible to foreigners, and they are now becoming almost incomprehensible to the Dutch, too.

Despite the victory in 1977 of the left-wing Social Democrats, a coalition of center and rightist parties has formed a government.

Albeda said he agreed to enter the new government, "only after I got a firm promise that there will be significant changes in our system, with increased powers for works councils and a system of profit sharing."

Albeda said there will be more industrial democracy in Holland but, with the new, more conservative government, "the changes will come more slowly."

But they will come, he added, "because both major parties are committed to them."

In sharp contrast to their counterparts in Holland and West Germany, Belgian unions, employers, and political parties have shown relatively little interest in industrial democracy.

Lack of interest in legislation to encourage

worker participation in the corporate decision-making process is one of the few things that all Belgians appear to have in common.

As in Holland, differences in religion and tradition have resulted in a polarization of the people. There are different newspapers, different radio and television stations to serve the different religious and political sections.

In Belgium, there are two major languages—Dutch and French—and this further divides the country.

Augustine Kennes and Andre Beleman, leaders of the socialist trade unions among the Dutch-speaking Flemish people of Belgium, said that partly because of these many differences among Belgians, agreement has been reached on a law requiring the creation of elected works councils and requiring employers to furnish the councils with company financial data.

But there are no worker-directors at the top corporate levels, and the works councils are pri-

marily advisory. The unions are strong both because of their political ties and because nearly 70 percent of all Belgian workers are union members.

Roger Blanpain, director of the University of Louvain's Institute of Labor Relations, predicts that future laws on industrial democracy in Belgium will come as a result of pressures by the West Germans and the European Economic Community, which is trying to work out a system of industrial democracy that all the EEC countries will adopt.

Robert Coleman, attorney for the EEC in Brussels, said that when he and others began pushing for such a system in 1972, only West Germany had any worker-directors at the top corporate levels.

Today, he said, the idea has spread to several of the EEC countries, and he predicted that all of them, including Belgium, will adopt the practice in the near future.

GREAT BRITAIN *Union Demand: A Voice in Corporate Decisions*



London, England

"Britain will soon end its role as Europe's economically sick man," Clive Jenkins, an optimistic British union leader, predicted, "because it turns out this island of ours is a bed of coal floating on a sea of oil."

But the only way to exploit these resources is to change radically the way the British system of labor relations operates, Jenkins said during an interview in his home here in London.

To make that change, the powerful Trades Union Congress (TUC) is demanding legislation that would give more industrial democracy to Britain in one step than any other European nation has produced after decades of experimentation.

The TUC, with considerable support from the Labour Party, wants large corporations to be run at the top level by an equal number of representatives of workers and stockholders.

The stand is a reversal of the TUC's previous opposition to industrial democracy, although

several strong unions here still don't think much of the idea.

It is being fought by a united front of corporate interests. The Labour Party Government's "White Paper" on the issue is not nearly as far reaching as the TUC wanted.

But the Labour Government's official blessing of the concept in May, 1978 marked yet another milestone in the growth of industrial democracy which has been spreading around Europe through legislation for several years.

The top British union officers, with some opposition even in their ranks, want to start British industrial democracy with a law which would, in some ways, resemble the Co-Determination Act in the West German coal and steel industry where workers and owners have an equal number of representatives on the corporate boards of directors.

Since stockholders have the majority vote in all other West German industry, and in all industry in other countries with industrial democracy

laws, the British union proposal for equal power now is unlikely to win Parliament's approval in the foreseeable future.

But some compromise plan is expected to be passed within the next 2 or 3 years giving at least a legal beginning to the system here in Britain, especially if the Labour Party remains in office.

The British union proposal received a major boost last year when a special government committee headed by Lord Alan Bullock proposed that Parliament enact a law giving worker-directors equal power with stockholder-directors.

The Bullock committee said further that the worker-directors should be named by union workers only, not by a vote of all employees as in other European countries.

The proposal came under furious attack by Conservatives and many moderates as a plot by the union leaders to grab more power.

Management, however, had little cause to hope for anything moderate because the Bullock committee was instructed unequivocally by the government in 1975 to accept the need for a radical extension of industrial democracy in the control of companies and to accept the essential role of trade union organizations in this process.

Until recently, even the TUC opposed the concept of worker-representatives sitting on any top management board, contending such a system would only weaken the adversary system of labor relations in Great Britain.

Now, however, Lionel Murray, TUC general secretary, said that he believes Britain will only be able to use its potential fully when workers and managers equally share responsibility for the success of individual companies.

"This means a major change in thinking both for Britain's unionists and for company executives," he said, "but we must radically change our historic adversary system of . . . an 'I gain, you lose,' or 'You gain, I lose' struggle."

Murray, Jenkins, and other union and Labour Party leaders want traditional collective bargaining to continue and, although they are socialists, they are making few demands for a substantial in-

crease in nationalization of private firms, as unions are doing in France.

Robert Harrison, director of the giant Transport and General Workers Union, said, "There is widespread disillusionment with nationalization because there is now an awareness that you don't change very much for workers by changing ownership. We don't want more nationalization without industrial democracy."

The lack of enthusiasm for nationalization is shared by British miners who like to say that coal turned out to be just as black after nationalization as it was when they mined it for private owners.

But Murray, Jenkins, and several other key union leaders insist that workers must have far more to say about all company policies, both private and government, than ever before, hopefully leading to a far more cooperative relationship between labor and management.

British workers are not constantly on strike, as is sometimes believed, but as one industrialist put it, "It isn't the number of strikes, but the amount of work and productivity that takes place between strikes which counts."

The sometimes fierce struggles between workers and managers in this class-conscious country undoubtedly have helped push the British worker to the bottom of the industrialized world's economic ladder, but many other factors helped get them down there. They range from the loss of the British Empire, with its vast natural resources and markets, to the still fairly rigid class structure itself.

But advocates of industrial democracy maintain that unless workers are allowed a greater share in decisions which crucially affect their lives, not even the North Sea oil will float Britain back to the top-ranking economic status it once held—arrogantly, some said.

There is still pride here, if not arrogance, but as yet economic statistics do little to bolster even a modest degree of self-satisfaction among Britons.

An average Swedish company pays \$10.17 an hour in total labor costs, Belgian companies average \$9.39. West Germany is third at \$9.27.

The government's objective is to use industrial democracy to replace a policy of defensive coexistence between labor and management with one of positive partnership.

The United States, despite recent comparative drops, is still near the top with average labor costs running at \$8.71 an hour.

In Great Britain, though, they average only \$3.97 an hour.

With living costs rising rapidly in all countries in recent years, however, the British worker did make some gains in real wages—that is, the amount of goods and services his paycheck will buy now compared to a decade ago.

But in that 10-year period, the British worker made a real wage gain of only 28 percent as his average hourly wage, excluding fringes, rose to \$3.04. In the same period, the West German workers real wage increase went up 50 percent to an hourly wage rate of \$6.61. The Swedish worker made a real wage gain of 43 percent, and has an hourly wage of \$8.27. The Japanese worker, starting at a much lower level, gained 114 percent in the purchasing power of his paycheck in the past 10 years and, with an hourly rate of \$3.29, surpasses the British worker.

Only in the United States did the worker gain less purchasing power than British workers in 10 years, going up only 8 percent but still leaving him with an average hourly rate of \$6.84, more than double that of the British.

Perhaps because of the low pay, class warfare or, as the unions charge, because owners in Britain invest less per worker in new, modernized equipment than owners in almost any other country, British productivity per worker is the lowest in Europe, and well below that of the United States and Japan.

And it is these statistics which are compelling everyone involved to at least look at the new ideas in industrial democracy.

The Conservative Party will fight any proposal resembling that made by the Bullock committee or the TUC, but it has joined with the Confederation of British Industry to call for a major but voluntary increase in the role workers play in making corporate decisions.

There are three crucial differences between the labor-backed Bullock committee proposals and

those supported by industry:

- Industry wants only voluntary industrial democracy not mandated by law, except for a few companies which might refuse to take any steps at all toward worker participation programs.
- Industry wants to retain majority control for stockholders on all boards of directors even under voluntary programs.
- Industry wants no part of a system which allows only union members to elect worker-directors.

W.H. Taylor, an executive with the British employers association, said employers might accept legislation if it becomes necessary “for companies which are regressive on this matter.”

That remark from Taylor and others we heard from British Conservatives generally, convinced us that the trend toward industrial democracy here is gaining headway and is unlikely to be stopped soon, although it could be slowed by Conservative Party victories at the polls.

The most significant sign, for us, was the government's White Paper, even though that rather mild proposal was viewed as an improbable beginning toward legislation by most British newspapers, one of which called it a “hotchpotch compromise.”

Several keen observers here, including some supporters of industrial democracy, contended we were being too optimistic in predicting major steps toward industrial democracy soon, and they stressed the opposition of several major unions.

But union leaders such as Murray and a number of both Labour and Tory leaders in Parliament persuaded us that while the push for legislation here may not be dramatic, it has started and some version of it will be enacted in the not too distant future.

Prime Minister James Callaghan said his government's objective is to use industrial democracy to replace a policy of “defensive coexistence” between labor and management with one of “positive partnership.”

And, while opposing many of the ideas in the government White Paper (which is a tentative

In a democratic society, democracy does not stop at the factory gate or the office door. . . .

plan for legislation), the Conservative Party spokesman on the question said the time has come for breaking down "the old attitudes of class warfare, conflict and hostility."

Both the Labour Party and the Tories want increased worker participation on the shop floor, and both said the basic concept of worker directors is worth trying. The conservatives are obviously less enthusiastic about it than the Labour Party and they don't want it mandated by law.

The government's White Paper calls for creation of "a framework for employees and their representatives to join in those corporate decisions that affect them, and to encourage them to do so."

It proposes legislation only as a measure of last resort for workers whose companies refuse to consider industrial democracy proposals.

The government suggested that companies with more than 500 workers be required to discuss all "important proposals" with worker representatives, who, initially at least, would make up one-third, and not 50 percent of the boards of directors as the TUC and Bullock proposed.

The White Paper did back the Bullock call for what is known here a "single channel" for electing worker representatives. This would limit voting for representatives to members of unions, although no vote for directors could be held unless a majority of all workers approved by secret ballot the plan to have worker-directors.

The British Government's White Paper is not radical. In language remarkably similar to comments we heard from both industry leaders and workers throughout Europe, the White Paper said:

"In a democratic society, democracy does not stop at the factory gate or the office door. . . .

"This development (of industrial democracy) is no longer a question of 'if' but 'when and how'. . . .

"Industrial democracy in this White Paper stands for the means by which employees at every level may have a real share in the decisions within their company or firm, and therefore a share in

the responsibility for making it a success. . . ."

Millions of Britons already are involved in some forms of industrial democracy:

- A 1976 law, for instance, requires companies to disclose a wide range of information to unions about almost every kind of corporate planning and finances. This law, in turn, has helped unions expand the scope of their traditional collective bargaining issues, asking for a voice now in matters ranging from new products to investments instead of just in setting wages and working conditions.

- Several nationalized industries either have started or are planning industrial democracy schemes without waiting for legislation. These include steel, shipbuilding, aircraft, coal, and most recently, the postal system, which covers both mail and telephone services.

- Since 1974, the government has financed a special work research unit which director Gilbert Jessup says is being widely used to help redesign jobs and improve the quality of working life, a concept which almost always includes substantial increases in the authority of workers over their own individual jobs.

- The government has awarded a special grant to a group of university professors headed by Dr. David Weir, of Glasgow University, to help train workers to be corporate-directors, in the event the concept spreads as the government wants it to.

The largest single experiment in industrial democracy here involves the British post office, which is the largest employer in the country with more than 500,000 workers. It will now be managed at the top level by seven government-appointed managers and seven worker-elected representatives, plus five directors named by the government but first approved by both the worker and management representatives.

The five independent directors must include two representing consumer interests, and the chairman will be a management-director.

Just below the board level, there will be a management-only group of executives to run the day-to-day operations, but below that workers

also will participate in local and regional decisionmaking.

The post office experiment may be decisive in determining just how fast Britain moves further toward industrial democracy. There seem to be as many people hoping the postal plan system founders on an excess of democracy as there are those who want it to succeed.

Some large private companies also are trying their own versions of industrial democracy, short of putting worker-directors on their boards.

Sir Adrian Cadbury, head of the famed candy company, said his firm realizes that the old-fashioned deferential society has almost disappeared, and new forms of leadership must evolve to attract and hold workers. He showed no regrets, for instance, when he observed in a recent interview that he received little of the automatic respect his great grandfather was given when he founded the company in 1924.

"Actually, I've never in my life had people touch their forelocks or tip their hats to me," Cadbury said.

"We don't look for deference or automatic obedience these days," he explained. "Our committees of workers and managers discuss everything—production, distribution, sales needs, financial performance, capital investments, anything and everything at the top-level company council and in the local level committees."

But neither Cadbury nor the unions which represent the firm's 28,000 workers have any plans for putting workers on the Cadbury board of directors, much less sharing power equally, as the TUC wants. The union people at Cadbury said they do not want to take or be held accountable for the final decisions of the company, so they may be free to challenge them.

TUC chief Murray found this attitude unreasonable.

"Sadly, men like Cadbury miss the very heart of industrial democracy, which is the acceptance of responsibility," Murray told us.

"If the worker reps were there on an equal basis with management, they would have to reach

a compromise, and then they could only go back to the laddies and say, 'Look, we were party to this decision, and these are the reasons why we did what we did.'

"But if Cadbury gives worker representatives only a minority, advisory role in company affairs, the worker reps can then go back to the members and say, 'Well, we fought like lions for the correct policy, but of course we were outnumbered by management votes and so, Brothers, exonerate us from any responsibility for the results of this policy.'"

It seems so obvious, Murray said, that "Only if workers share power equally on boards of directors can workers accept the fact that their new rights of participation in company decisions also carry with them the responsibility for the success of those decisions."

Murray also wants worker-directors to be told they will not be paid a penny for their services, and they should be company employees.

"In this way, we can avoid any complaints about 'outside' union people influencing company policy, and workers would not seek the jobs just to add money to their incomes."

Union rivalries with each other are almost as traditional here as their fights with management.

Murray and several other backers of industrial democracy contended that those interunion battles will be eased if not eliminated when workers share power at the top with corporate management.

"The unions would be forced to negotiate with each other first on their allocation of seats on the boards of directors. And, once they are on the board together, those rivalries will tend to diminish, just as they will with management," Murray argued.

We found that Murray has many critics, including some inside the labor federation he heads, but even his critics admired his character, if not his viewpoint.

"He is a great Christian, but a very unworldly man," observed Trevor Owen, personnel director of the giant multinational, Imperial Chemical In-

dustries, which employs about 200,000 workers around the world. "Like Murray, we at ICI are passionately committed to the concept of involving people in the decisions which affect them.

"But Mr. Murray, the TUC, and Bullock are not really talking about worker participation. They are talking about worker control, because the true parity they seek cannot work. . . . With equal power, there is the real prospect of total and frequent impasses.

"And if you have the kind of proposal advocated by Murray and Bullock, you would give the crucial deciding voice to outsiders who, although jointly selected, would really be running our company. That could be some university professors, for example.

"And would we allow some university professor to run ICI? Like hell I would!"

In contrast, Alex Coveney, a dock worker who helped set up an experiment in industrial democracy in the London harbor, put it in the language of many other workers interviewed when he said: "I don't hold management in awe, you know. If they are so great, why are we in the shape we're in today in this country? We used to believe the only way to get the gov'nor to listen was to go on strike, and we did that plenty. But gradually we realized we were just smashing our own heads against the wall, and so we opted for a change. Now we listen to each other."

Thus Britain today, deep into the problem of figuring out how to make industrial democracy work, is far from a final decision. Norway's noted behavioral scientist Einar Thorsrud summed up the issue which seems to exist in all industrialized countries these days, saying on a visit to Britain, "In no country today is there a clear-cut example of what the future of industrial democracy will really be like."

It was in Britain that we found some of the clearest summations of the issues involved in industrial democracy.

They were put to us bluntly by Anthony Wedgwood Benn, British Secretary of State for Energy:

"All the words used about industrial democracy must be analysed very carefully according to one simple criterion: Do they permit a real shift of power or not. That is the central question."

Down in Coventry, Professor George Bain, a member of the Bullock committee and professor at the University of Warwick there, told us essentially the same thing:

"We must avoid setting up a rarified body of directors at the top of companies, but there can be no substitution for the redistribution of power in our society, for that is what industrial democracy is really all about."

Neither man was optimistic about an easy transition to the kind of equality of power they want to see. Benn said:

"The trouble is, no one gives away power easily.

"It is not enough to 'improve communications' between workers and management, although there are some very innocent industrialists who actually believe the only conflict in industry is a failure of workers to understand what the company financial accounts mean."

The theme was echoed by David Basnett, head of the General and Municipal Workers Union and a man regarded by many as a moderate in the unions here:

"There must be a change in our system, and it cannot be done without legislation or else there will be no major shift in power. And in the end, it is all about power, isn't it?"

Chapter VI

FRANCE and ITALY *Democracy on the Job: A Problem for Communists*



Paris, France

Powerful Communist forces both here in France and in Italy are having a hard time reconciling their Marxist economic theories with their bid for broad, popular support.

Their efforts to combine ideology with popularity are baffling, infuriating, and sometimes frightening to their opponents; they are also confusing many lower ranking party activists.

Their often surprising statements were most dramatically visible in the hectic, highly publicized political battles in early 1978 in both France and Italy.

The impact of the changing face of Communism in the two countries is also being felt in the drive toward industrial democracy.

The traditional Communist Party position has been to oppose putting workers on top corporate boards as long as management retains final authority for decisions.

That is now changing as the concept of worker participation gains popularity.

The change is seen most dramatically in Italy,

where Communist-led unions are advocating industrial democracy to share power with management in running both public and private industries.

This change is partly because, unlike in France, the Communist-led confederation and the two minority but influential democratic confederations, the Christian Democrat-oriented CISL and the UIL, which has ties with the Socialists, Social Democrats and Republicans, formed a kind of super federation a few years ago. This strengthens labor's bargaining power but further pressures the Communists to dilute their ideology since for the most part—despite quite obvious continuing differences—the Italian confederations usually hammer out joint major policies.

Pietro Merli-Brandini, CISL Secretary, said all the major unions in Italy now see the “need for change in our views of worker participation programs.”

Italian unions have, in fact, won worker participation rights through collective bargaining, and many major contracts now provide that

almost all management decisions, including company investment policies, must first be negotiated with the unions.

Normally, nationalization of industry is used as the measure of radical change the Communists and their Socialist allies want if their power increases in Italy and France.

But, as the political winds shift, it is apparent that nationalization, especially among the left wing unions in Italy, is no longer the test of radicalism.

At least equally important, and, for some, more important, are the changes they want in management, not in ownership of industry.

The feeling is growing among Europeans that the key question for the next decade or more will not be public versus private ownership of corporations, but the extent of industrial democracy and the sharing of power it entails.

The moderation of the Communist unions in Italy has led to strident criticism from other radicals who charge the leftist unions have “sold out” to the capitalists. That moderation of Communist policy was not visible to us in France.

Communist theoreticians here in France—at least as of the spring of 1978—were still insisting that the conflict between workers and capitalist company owners is so pervasive, so complete, that compromise through what they call “class collaboration” is not possible.

However, since such class warfare concepts often alienate the workers the Communists want to attract, there is, in practice, substantial collaboration between the pragmatic capitalists and the equally pragmatic Communists who head the largest union federations here and in Italy.

But it gets confusing, and at times in France leads to seemingly irreconcilable contradictions, or so it seemed when we interviewed Alain Boulay, a young Communist union leader at the Renault auto factory in Le Mans, about 100 miles southwest of Paris.

Boulay had no trouble explaining the “mistake” of putting workers on corporate boards of directors. He and his union federation, the

Communist-led CGT, feel it is wrong unless workers are given control of such boards.

“Otherwise,” he said, “it falsely makes workers think they have power when, in reality, it’s still the same old thing—the bosses are in charge.”

But he had more difficulty explaining his views on another, local-level fact of industrial democracy directly involving his own job at Renault.

The company recently began an experiment aimed at improving both productivity and the quality of workers’ jobs by eliminating the continuous assembly line and by increasing the authority some workers have to decide how to do their own jobs.

Personally, Boulay is delighted with the results of what is often called a “quality-of-worklife” experiment. He and other workers in the project are better off now than they have ever been, Boulay acknowledged.

But as a Communist and a union leader, he will not help other Renault workers get the same kind of system because “it would help the bosses make more money, and that’s not my job as a union representative.”

It was not ideologically important to him that Renault is owned by the French government, not private investors, because France is still basically a capitalist country.

It was his understanding of his union’s position on “quality-of-worklife” experiments that led him to the hard-to-defend decision against trying to spread his own good fortune for fear of helping to preserve capitalism.

But apparently Boulay had read only the first part of his union’s policy paper on new systems of work, which says:

“Some companies have started a widespread ideological campaign of demagoguery on so-called ‘job enrichment’ to put an end to work on the assembly line.

“But as long as capitalism exists, the organization of work, whatever form it may take, (is designed) to maximize profits while increasing the workload.

“Changes in assembly-line work are being made by companies to stem the legitimate aspiration of the workers so as to lead them into class collaboration, or, in other words, to get them to acquiesce in increasing their own exploitation.”

If Boulay had read on, however, he would have seen an entirely different view taken by his union on the same issue. The CGT is also calling on workers to demand experiments such as those at Renault, where the aim is to combine routine, fragmented jobs into larger, less repetitive ones.

“We demand steps be taken to fight against the extreme divisions of labor, loss of skills, and the subservience of man to machines,” the CGT said.

The problem of adjusting economic ideology to popularity is greater for the Communists in France than in Italy, where the huge, Communist-led labor confederation, CGIL, is moving toward industrial democracy with little hesitation and seemingly no fear of being accused of working as collaborators with capitalists.

Statements from top officers of the CGIL, Italy’s largest union federation, are so non-Marxist that a high-ranking staff official of the U.S. Embassy in Rome told me the other day:

“The Communist union leaders here are in the forefront of those who advocate what we regard as sensible public policy. If they weren’t Communists, we Americans would be embracing them as the salvation of Italy.”

The U.S. official was referring particularly to speeches by CGIL chief Luciano Lama urging workers to join in an “austerity program” of limited wage increases and self-sacrifice which he regards as essential for the improvement of Italy’s economy.

Lama, in an interview at his office in Rome, said, “I advocate an austerity program. And workers will accept it because in a time of great economic crisis, unions cannot complacently continue to function on the ruins of our economy.”

The union leader said he is “still a real Communist, not a watered-down one.” And he seemed undisturbed by the terrorist Red Bri-

gade’s denunciation of him as a “tool of the capitalists.”

The debate among non-Communists in Italy is not over what the Communists are saying but whether they are adopting moderate, nonrevolutionary economic positions only as a trick to ultimately win control of the government.

In France, the Communists have taken a more radical stand on economic issues than in Italy. And the debate among French non-Communists is over both the sincerity of the Communist promises to work within a democratic political system and their proposals for nationalization.

The Communist-led CGT and the Socialist-led CFTD union federations have strong differences among themselves over the degree of nationalization they want in France.

They also have, however, crucial differences with each other on the manner in which nationalized industries should be managed.

Many Socialists felt so strongly about the differences in the way nationalized industries should be managed that they refused to back Communist candidates in the runoff election earlier in 1968.

“The difference between our position and that of the Communists is basic: It is the difference between a highly centralized, authoritarian state and a highly decentralized economy,” one Socialist union leader said.

The million-member CFTD French-Socialists did not want to nationalize as many companies as the Communists proposed, and the CFTD also argued for a system of “self-management of companies taken over by the government.”

The workers at the local company level would elect their own managers and decide at the local level most of the major company policies, according to the CFTD proposal.

The Communist-led CGT, with about 2.5 million members, wanted government to be a key force within the management of nationalized firms, having one-third of the voting strength in corporate management. Consumers would have another third of the votes and workers, through

... French employers do not want any kind of power sharing at the top corporate level.

their unions, would have the final third.

Since the CGT is by far the largest union federation in France, that kind of system would mean a major increase in power of the Communist CGT leadership, especially when coupled with Communists in government, as would have been certain if the Left had won.

Leaders of a third union, Force Ouvrier, Socialist oriented which is smaller than the other two federations and not part of the Communist-Socialist alliance, are fearful, too, that any system of worker-directors in nationalized industries would give Communists too much power.

Rene Duhamel, a top CGT executive board member, insisted, however, that his union is independent of the French Communist Party, which, with only 600,000 members, "is far smaller than our union and so does not have our mass base. We have Communists and Socialists in our union and make our own decisions.

"And as for the Soviet Union, they will never be a model for us in France. There the trade unions are nothing but the social departments of the Communist Party.

"We in France have always had a tradition of plurality of political parties, and we are determined to keep that tradition, and also determined to keep our unions separate from the parties."

While the unions do not want a minority role for workers in managing either private or nationalized companies at the top, as they have in other European countries, French employers do not want any kind of power sharing at the top corporate levels.

Ambroise Roux, official of an employer association, said in a recent speech that "the innumerable plans for co-supervision and co-management . . . are false solutions to false problems.

"The idea is that this collaboration (of workers and capitalists) would produce a synthesis of contradictory interests. But in fact it would finish by paralyzing company managements."

Nevertheless, support for at least limited industrial democracy through "quality-of-worklife"

experiments such as the one at Renault is widely accepted and encouraged by French employers, he said.

And, despite the opposition of French employers to any power sharing at the top and labor opposition to acceptance of a minority role at the top, support for some such system is growing, as evidenced by the recommendation of the government of President Valéry Giscard d'Estaing for a voluntary program of worker-directors of all corporations.

The drive toward industrial democracy is far stronger in Italy than in France.

The CGIL's Lama said in our interview with him in Rome, "Our contracts now give workers the right to negotiate almost all aspects of company policies, not just traditional issues such as wages and working conditions."

"What workers in other countries have gained through legislation we have gained through collective bargaining. We do not need law to allow us to help companies decide such matters as capital investments and employment policies," Lama said.

Ettore Massacesi, head of the Italian government agency that manages state-owned industries, told us it is true Italian unions now help decide major top-level corporate policies, even though Italy has no law requiring management to share such power.

But at times, he complained, the system works to the detriment of industry.

For instance, the union forced Alpha Romeo to construct a new auto plant near Naples in southern Italy because of the high level of unemployment there.

Massacesi said, "because of conflicts within the union, we are getting production of less than 400 cars a day, compared to our projected 1,000 a day."

Bruno Trentin, one of Italy's most dynamic union leaders and a top officer of the Communist-led CGIL, said, "We had to strike Alfa Romeo to stop its plans for doubling its investments in new plants in northern Italy and get them to build

more plants in the badly underdeveloped south.”

But Trentin said the poor production in Naples “didn’t come from a bad investment decision of workers. It was caused by the political basis on which the company gave out jobs.

“A letter from a government minister or Parliament member was enough to get someone a top job, and then untrained workers were hired from Naples slums and those jobs were sold for a price.”

The Harvard-educated Trentin, in agreement

with other top left-wing union leaders in Italy, said experience with nationalized firms there “has shown us that isn’t the answer to our problems. And on balance, I think there is probably a need for less rather than more nationalization than we now have.”

Trentin is convinced that “our problem is control of management, not who owns the company. And that will come when we get true industrial democracy.”

Chapter VII

FRANCE *Quality of Work Life: The Renault Experience*



Le Mans, France

For Joel Faisandel, the best part of the new work system at the Renault auto factory here is that “when I get home at the end of the day, I’m not nervous any more.”

The 39-year-old transmission assembly worker isn’t concerned about the ideological or economic problems which often plague new systems being tried by millions of other workers throughout the industrialized world.

He wasn’t familiar with the somewhat popularized terms used to describe the new work systems, such as “quality-of-worklife experiments,” “humanization-of-work,” and “job enrichment.”

He was just glad to hear, for the first time, that France, like many other countries, has set up a special government agency to encourage experiments aimed at increasing productivity and making tough, often monotonous jobs a little less unpleasant, if not actually fun.

“The important thing for me is that I used to be tied tightly to that assembly line. It ran me, and I

couldn’t do anything about it but quit my job.”

Renault, observing similar efforts in Sweden and other countries, eliminated the continuous assembly line here in Le Mans, and now Faisandel and his small team of coworkers put transmissions together at a pace they control themselves.

Faisandel was obviously pleased with his new right to decide to stop and talk with a visiting reporter.

“I couldn’t have done this before without getting a relief man and permission from the foreman, unless I wanted to stop the whole production line.

“The new system has helped me on the job. I still get my regular 10-minute breaks in the morning and afternoon, but now when I want an extra one for any reason, I decide that for myself, as long as I make my daily quota.

“And it helped me at home, too, with the children and my wife. I still work hard and get tired, but it isn’t the same kind of pressure it used to be. Doesn’t leave me so nervous, you know.”

And as a result of having combined several

small, unskilled tasks into a larger, semiskilled job, he makes an extra \$50 a month.

Under the old system at Le Mans, Faisandel lined up with other workers in front of a moving belt, on which the transmission they were assembling gradually took shape, with each worker performing a simple task in less than a minute, then repeating it over and over, all day long.

Now, one worker, or small groups of them, assemble an entire unit. The simple tasks of each attaching one piece to the unit were combined into a more skilled job taking nearly 30 minutes.

Workers decide if they want to work at a faster pace for awhile and take a break, or use a slower, constant pace throughout the day.

The Renault experiment is typical of the simpler "quality-of-worklife" projects being tried in many nations. The authority given workers to make on-the-job decisions, varies widely from project to project, and so does the cost of making changes in equipment sometimes needed for the experiments.

Interest in the concept has been rising and falling in the decade or so since it was first tried in Norway. During economic good times, companies are willing to spend more to see if productivity really does increase by redesigning jobs and whether they can retain good workers by giving them some decisionmaking powers.

But during hard times, experimentation money seems to stop, quarrels increase over who should get the benefits, and workers and companies as well prefer going back to their old, familiar ways of operating.

Nevertheless, the idea continues to spread and today many firms have full-time "quality-of-worklife" executives. At Renault, it's Roget Tarriere, an intense, dedicated man who wants to expand his version of shop-floor industrial democracy first throughout the company and then to the world.

"We all are going to have to do things like we're doing in Le Mans sooner or later," he said in an interview in his Paris office.

Renault, already a highly profitable, state-

owned company, is delighted with the 20-percent increase in productivity it is getting from Faisandel and his coworkers.

"But that isn't the only reason at least some of us here at Renault are pushing these projects," Tarriere said.

The issue of foreign workers has become one of the most burning questions in France and many other countries. "We have a couple of million of them here now (in the country) and as long as we could keep on getting them to do the dirty jobs, we weren't forced to try and make the jobs more attractive," he said.

"But with unemployment high and staying high for long periods, how could we keep bringing in more foreign workers to do these dirty, monotonous jobs while our own increasingly better educated citizens were unemployed?"

In the Paris plant of Renault, more than 80 percent of the assembly line workers are foreigners. The work force in Le Mans is almost entirely native French men and women. Partly because of that fact, Renault started its work system changes in Le Mans.

Another factor, says Tarriere, was that Renault at Le Mans, like many other companies throughout France, suffered from problems being felt in most industrialized nations: steadily rising absenteeism and a high turnover of better educated workers seeking better jobs.

In France, factory unrest, combined with political turmoil, produced increasing incidents of violence on the jobs, beginning with strikes and demonstrations which almost triggered a civil war in 1968.

"All of these things made us start doing what we should have been doing all along: improving workers lives and production at the same time," the Renault executive said.

If projects like the one at Le Mans are working so well, why don't they spread faster?

Union resistance here in France has slowed such projects, which are sometimes used only to persuade workers to work harder.

But Tarriere said perhaps a bigger problem is

In a few years, perhaps, today's assembly lines will be recalled only by rescreenings of Charlie Chaplin's film, Modern Times.

middle management. "When you give workers more authority, it has to come from somewhere, and usually it's from middle management's authority, from people who haven't learned new roles they will have to play.

"Too many of our managers think industrial democracy is just a passing fad. They would rather consult with workers about some green plants on the shop floor to make it look pretty than make any fundamental changes in their old-fashioned production methods."

Anni Borzei, a French sociologist, said that in France most "quality-of-worklife" projects are started unilaterally by management, and some, like job rotation, "are no basic answer to anything. They just shift people around, as they do when a worker is absent. Anyway it just means more work."

Borzei also said another problem is found in so-called "autonomous work groups," where the more industrious, ambitious workers try to push out those who slow down production.

But it's hard to fight something which frequently does work. One officer of the CGT, largest union in France, said it doesn't encourage the experiments in work system changes because they often divide workers into rival groups and involve harder work. "But where 80 percent or more of the workers want change, the union cannot object."

Roget Chainaud, head of the French government agency set up to encourage industrial democracy at the shop-floor level, said French unions sometimes resist changes in jobs, "but it is not true to say they generally resist them. They cooperate with us, and representatives from all unions serve on our board of directors."

Jean Nedinger, a top officer of the French Employers' Association, said most companies are convinced that "humanization-of-work projects are important for our entire nation," and he noted a recent conference on the new systems "was attended by nearly 40,000 representatives of French companies."

But Chainaud said that in France, unlike most other countries, "The real pressure for change comes from the grassroots.

"Many visitors tell us that in their countries, the pressure for change is from the top down. But here, it seems that all of a sudden people on the shop floors are aware of what is possible for them, and they want to be a part of it."

While French labor unions are divided on quality-of-worklife projects, in Italy, the unions support and even initiate the work changes, and that includes the Communist-led CGIL, the largest union in Italy.

Bruno Trentin, national secretary of CGIL, said unions in Italy opposed quality-of-worklife experiments in the past, but "those days are gone. Now we insist on them.

"And further, we are asking for a law which will require all companies to institute some work improvement project as a condition for receiving any state subsidies."

Trentin, a left-wing union activist, sounded almost as convinced as the Renault executive, Tarriere, that the days of continuous assembly lines are almost over.

In a few years, perhaps, today's assembly lines will be recalled only by rescreenings of Charlie Chaplin's film, "Modern Times," in which Chaplin nervously jerked through the day as a wrenchturner in a highly automated factory.

Chapter VIII

YUGOSLAVIA *Self-Management: Electing the Executives*



Belgrade, Yugoslavia

Political democracy is far from a reality here. But industrial democracy, giving vast powers to workers on their jobs, is apparently thriving in this radical Communist country.

President Tito has little to fear from within if dissidents are, as they seem to be, legitimate examples of the only opposition to Yugoslavia's system of "self-management."

Tito's "nonalignment" foreign policy is well known, but we included this country in our worldwide industrial democracy survey because there is such limited information about Yugoslavia's claim that it gives its workers more power to run their companies than any other nation.

Since there is so little political democracy here, by Western standards, it seemed unlikely that Tito or other Communist leaders would really permit any significant degree of industrial democracy in offices and factories.

Yet even the dissidents voiced only a few reservations about the realities of workers' self-

management in industry.

And dozens of other people interviewed in factories, shops, universities, government offices and local "communes" insisted the system does work and is being improved.

Many of the dissidents talked about political repression, but agreed, as one put it, that "Tito is really interested only in about 50 top government jobs, so he lets workers and their elected representatives pretty much alone to run their own jobs at the local level."

Many Western European nations now require corporations to have worker representatives on their boards of directors, and most industrialized countries have at least limited experiments in job democracy.

But in Yugoslavia's unique economic system, no one—neither individuals, nor groups of people, and not even the government—"owns" any of the means of industrial production.

There are still privately owned small retail stores and farms, but the factories, and most other enterprises, are "socially owned," which theoretically means they belong to all Yugoslavians.

Each enterprise, however, is managed by workers and by those they elect to do the day-to-day job of running the companies.

How does the system work in practice?

A knowledgeable acquaintance had told us about several outspoken dissidents here, including Dr. Zagorka Pesic-Golubovic, a Yugoslavian intellectual rebel who had incurred the wrath of Tito.

Several hundred dissidents had been jailed, many for what are called "verbal political crimes" here. Some are still in prisons, but most were released in 1977 under a special amnesty program.

Dr. Pesic-Golubovic was not arrested, but one of her books, "Man and His Work," was given a public trial for allegedly "falsifying Yugoslavian reality and misinterpreting statistics."

The book was found guilty, and the judge ordered 66 of its 600 pages deleted.

Dr. Pesic-Golubovic, an attractive, 47-year-old philosophy professor, seemed much more distressed by the remnants of a bad cold than by any fear of secret police knocking on her door during an interview. And she voiced surprising support for the factory management system. "Self-management of factories and other companies by workers is not perfected but is a good system which functions reasonably well."

Her own fight with the government over her advocacy of "political pluralism" turned out to be a good example of both the system of industrial democracy here, and its limitations.

At first, the government moved to oust her and several colleagues from their university posts because of their writings. But under the system of "self-management" here, the issue came before the entire university faculty.

The faculty voted against any punishment of the dissidents, and the ultimate compromise was to let them continue to receive their pay as professors but not to teach, a compromise which has been widely ridiculed. The dissidents are being paid for not teaching but are free to lecture for fees and to publish their writings.

The system of self-management seems to work

generally, she said, but "in my case it was a contradiction of our entire system."

Until the 1950's, Yugoslavia, like other Communist countries, was run by a system of state planning similar to that used in the Soviet Union.

The state was, in effect, the sole employer. Almost all decisions, both economic and political, were made at the top of the Communist hierarchy.

But in his break with the Soviets, Tito adopted not only a "nonalignment" foreign policy, but also an economic system which is still called "self-management."

At first, it operated in only a limited fashion in a few industries, but today it has spread to every phase of life in Yugoslavia.

The elected managers here constantly remind constituents that Yugoslavian companies must compete in a "market economy," and that means if a company fails to compete successfully it goes bankrupt.

The way the "market economy" works here was indicated at the DMB Engine Co. plant we visited in Rakovica near Belgrade where workers used the secret ballot to elect delegates to their "workers council."

The workers council, in turn, elects new company managers and it also votes on all major corporate decisions. The firm produces engines under an Italian Fiat license for Fiats built in Yugoslavia.

Proposals for wage levels and major company investment are made by DMB managers, but also must be submitted to a referendum of workers.

For instance, DMB workers voted a couple of years ago to accept a proposal for investing in a new plant to be constructed just across the street from the existing one.

Alexander Radivuk, one of DMB-elected managers, said, "the vote was based on a clear understanding that it would mean workers, for a time at least, would be earning less than they pay at Industrija Motors about a mile from here where they also make engines."

Radivuk said the secret ballot vote gave "a big

majority for the new plant investment because we realized that in the long run it would mean more jobs and better salaries for all of us at DMB. And it will."

DMB workers now are averaging \$300 a month net take-home pay after substantial deductions for everything from sports and cultural programs to health insurance and federal taxes.

Workers at Industrija Motors average \$340 a month, even though they do the same kind and amount of work as those at DMB.

Can companies operate with efficiency under self-management?

"The Russians attack our system all the time and say we don't have socialism here, we have anarchy, and that it doesn't work," said Ljubisav Marcovic, dean of the political science faculty at the University of Belgrade.

But Marcovic said the system is far more orderly in practice than the widely diffused decisionmaking process of self-management appears to be on paper, and the results aren't bad.

"A decade or so ago, the average Yugoslavian income was about \$1 for every \$7 you Americans were earning per capita. Today, the ratio has narrowed to about \$2.30 per capita in the United States for each \$1 we earn here."

He said that Yugoslavia still has economic problems, "but we are catching up with you. Other Marxist countries are developing far more slowly than we are with our system of self-management which, while strong, is by no means completed yet."

Marcovic said everything in Yugoslavia is based on "the idea of decentralization and it has brought us from an underdeveloped country to what you might call a medium-developed country already."

Many people within the establishment here feel the self-management system results in too much turnover in leadership.

While Tito is president for life, most other elected officials move in and out of their jobs frequently, and the same is true for corporate managers.

One Western government source here said Yugoslavia suffers badly from a lack of expertise, poor worker discipline, and problems stemming from what he said "might be an excess of industrial democracy. People get moved before they really become effective."

But several of those interviewed, including both dissidents and loyalists, said while there is a great deal of shifting about of executive-level people, there is more motion than real change.

Some executives, for instance said that while they will have to leave their present post at the end of their second 4-year term, they expect to move into a similar position in some other company or governmental body.

One of the dissidents, professor Svetozar Stojanovic, called it "a system of horizontal rotation."

Stojanovic showed no hesitation in discussing "the repression of those of us who believe in political pluralism."

But, with the caveat of "horizontal rotation," he said that "self-management does function fairly well in business and industry.

"President Tito thinks mostly about only the top 50 or so leadership positions in the country, so when it comes to strictly business matters, the central government has little to do with individual companies.

"Workers are almost never criticized, and if they even threaten to strike because of bad managers or other reasons, they usually get what they want."

Professor Ljubisa Adamovic, a prominent Communist intellectual who calls himself "totally pro-establishment," believes there are too many leadership changes in Yugoslavia.

"I know many people are worried about the danger of 'technocrats' taking over the society," he said, "and are concerned that workers will allow bureaucrats and technocrats to make all of the decisions.

"But I still say we have too much freedom of decision put into hands of people who are not yet fully equipped to make decisions. "It isn't al-

The basic power here still rests with the Communist Party, in and out of government.

ways wise to give people every chance to make their own, stupid decisions.” Adamovic said, “We are too decentralized and I say perhaps the technocrats may have too little, not too much power.”

The basic power here still rests with the Communist Party, in and out of government.

Tito at 86 may still be closely watching only the top of the rotating Communist Party leadership, but there are nearly 2 million party members in Yugoslavia, and a U.S. Embassy officer contended the average party member “is a guiding influence in most aspects of the self-management system.

“But they themselves are directed from the top on very few issues, and they guide only by working harder than anyone else.”

Bright, ambitious young people join the Communist Party because it is clearly the best road for advancement, and then, once they are in an organization or a company they are expected to make an “ideological analysis” of decisions to be made, which offers them another avenue for guiding those decisions.

Zivojin Risimovic, a high trade union leader, said it is true that Communists are part of all organizations in the country, “but they don’t give orders, and they are not even allowed to speak on behalf of the party.

“Their political analyses are offered in our factory work councils and other organizations, but they cannot direct decisions which are taken by secret ballot vote.

“They try to advise on whether decisions are in agreement with the development of socialism under our self-management system.”

Aside from the ubiquitous influence of Communist Party members, the independence of each self-management unit is further limited by an important economic fact of life: Commercial banks, which are closely watched by the central government, must approve loans sought by individual companies.

If a group of workers in a company acts too imprudently, from the government’s point of view, it

is unlikely they will get money for their projects which cannot always be self-supporting from company revenues.

Most factory workers interviewed felt they had some voice in running their companies, but primarily through voting on delegates to the workers councils and not directly.

Workers like Vincentivic Dmiroslav, 26, at the DMB plant, said while wages seem “pretty low” to him at times, “there have been improvements and it’s getting better.”

The Yugoslavian self-management system is used in what are called all “communities of interest,” not just by groups of workers in factories and businesses.

For example, Simentic Miodrag, Belgrade’s Cultural Affairs Secretary, said the city’s cultural department was created as “an attempt by citizens to enjoy cultural activities and overcome the idea that they are only for well-educated people.”

The artists, or the creators, get together in the opera company, for example, and plan their program for the year.

All cultural units do the same—theaters, orchestras, ballets. Then every October 1, the various groups submit their separate plans and budgets to the Cultural Center, headed by Miodrag.

The center compiles the information into a book which is sent to workers in all factories and offices and to the various communes throughout Belgrade.

After complaints, counterproposals, and discussions are completed, the programs are once again reconsidered by the separate cultural groups, and a final, annual cultural program and budget is prepared and submitted for approval to citywide, elected “cultural assembly.”

Financial incentives are built into the cultural self-management system, as they are into all of this country’s economy in apparent defiance of the Communist theory: “from each according to his ability, to each according to his needs.”

Here the theory, and practice, seem to be that those who work the hardest and most efficiently

should make the most money, although the pay of the top executives is only about four times greater than those on the bottom income level, according to several apparently reliable estimates.

The cultural incentive system works like this: Each cultural group is given a rating. The opera company has a rating of 20 percent, which means it must earn 20 percent of its budget from ticket sales; the public library has a 10-percent rating; popular movies have a 100-percent rating.

This gives each cultural group an incentive because if, say, the opera company fails to earn its 20 percent, each member of the company has less take-home pay. Thus, the company must try harder to produce shows which can attract au-

diences, although it will survive even if the audiences aren't very large.

The entire system of self-management here is complex, and it is obvious that it is not perfected.

But with few exceptions, those we interviewed seemed to agree with the conclusion of Djuro Peric, president of the Communal Assembly of Zvezdra, which has a population of 130,000 and is one of 16 Belgrade communes:

"Our system of industrial democracy may be confusing to you people from Western countries, and we have certainly confused the Soviets.

"But it works for us, and as the years go on, it is going to work better and better,"

Chapter IX

ISRAEL *Worker Participation: Collectives, Cooperatives and Union-Owned Enterprises*



Bet Herut, Israel

Rivka Tsur quietly slipped away from the discussion about her radical way of life to get some more tea and another platter of cake and cookies for her guests.

While she was in the kitchen, her husband Yehuda told their U.S. visitors, "Our system here at Bet Herut is so radical, those Russians, with all their talk about socialism, cannot even understand what we're doing, much less copy our ways.

"We all voluntarily live out our socialist beliefs in Israeli communities like Bet Herut."

Yet, somehow everything about the Tsur family looked nonradical and middle-class American.

Rivka, piling sweets onto the platters and then urging everyone to "eat, eat," was surely almost a caricature of an American Jewish mother. She spends most of her time cleaning, cooking and caring for the three children still at home, worrying about their eating and reading habits, and their plans for college.

Yehuda Tsur is a hard-working inspector in a nearby meat-packing plant. He is an intelligent,

generous man who kept asking his guests to enjoy more of his wife's cooking.

Their modest, one-story house is on a tree-lined street in this small village north of Tel Aviv. The front lawn had just been mowed; the roses were blooming.

The Tsur family life seemed to be a copy of living patterns in almost any small American town.

But it isn't.

In fact, the Tsurs are part of the most radical aspect of the Israeli economic system—a complex mixture of private enterprise, government-run companies and services, and a vast system of worker-owned and operated business and industry.

The Tsurs live in one of the 600 rural collective and cooperative Israeli villages that turn out nearly 70 percent of the nation's farm products.

All 85 families at Bet Herut (House of Freedom) earn exactly the same basic income. And, collectively, the families own 250 acres of citrus trees, a turkey ranch, a supermarket, a printing company that produces more silk screen prints than any other company in the Middle East,

and the modern meat processing plant where Yehuda Tsur works.

Last year he was elected executive officer of Bet Herut, known as a moshav, where leadership and most jobs are rotated regularly and where each family lives in individually owned homes.

The Tsurs are indeed part of the worldwide trend toward industrial democracy, but in Israel it is unique.

There is relatively little of it in private industry, which accounts for about 40 percent of the country's economy.

However, industrial democracy plays a significant role in government enterprises, which are now required by law to encourage worker participation in their decisionmaking processes. Government operations account for about 35 percent of the Israeli economy.

And, in firms owned by Histadrut, the country's labor federation, industrial democracy is widely practiced. That involves 25 percent of the country's economy. Histadrut members, who work in all sectors of the economy, make up more than 75 percent of the work force.

But by far the most complete system of industrial democracy is practiced in the rural cooperatives and collectives known as moshavim and kibbutzim.

Political democracy has been functioning since Israel was founded in 1948.

Israel's industrial democracy goes back to the early 1920's when few capitalists were willing to invest money in a badly underdeveloped desert area, which some Jews hoped would some day become a Jewish nation.

Those who believed in the eventual creation of a Jewish state pooled their money and efforts to create collective farms and small enterprises, which were usually operated by what was then the new Jewish labor federation, Histadrut.

All members of each kibbutz and moshav, such as Bet Herut, are members of Histadrut, and decisions about most of the country's farm production are made at community membership meetings directly by those who work on the farms.

That degree of industrial democracy is practiced nowhere else in Israel. It is limited to about 5 percent of the population. (The rural communities now include businesses other than farming, but farming is still the principal occupation on all of them.)

Unlike a moshav, there is no private property in a kibbutz. Families live in community-owned houses, eat in communal dining rooms, and children sleep in dormitories.

Each member draws what he or she needs from community stores.

A kibbutz is operated on the theory that all work that is useful and necessary to the community is of equal value.

This theory is used at Bet Herut, but it also combines the kibbutz philosophy with that of a moshav, or cooperative, where each family cultivates its own land, lives in private homes, and joins with other families for group marketing, purchasing, and selling.

In both types of rural communities, though, "corporate" decisions are all made directly by the workers and their families.

Indirect industrial democracy is practiced in the union-owned firms whose managers are appointed by worker-elected Histadrut officers.

The union is into every phase of the Israeli economy. It is the country's second largest employer, next to the government. It operates a daily newspaper, the country's second largest bank (Hapoalim), a major insurance company, most Hebrew language classes for new immigrants, national sports events, theaters, and the bulk of Israel's health-care system.

But it is Hevrat Ovdim, the economic arm of Histadrut, which allows Israelis to legitimately claim that their country practices as much industrial democracy as any other nation and far more than most.

Hevrat Ovdim operates most of Israel's bus transportation, over one-fourth of the nation's construction work and about 16 percent of all industry.

Since the unions make up such a large propor-

... clearly the workers do have a voice in running their companies. . . .

tion of the economy, it often is argued that workers automatically have a major voice in running the companies that employ them, certainly those wholly owned by Histadrut.

But many critics say the tough-minded, appointed executives may listen to the views of workers in the union-owned companies, but they run the companies almost exactly like managers of privately owned firms.

Many workers interviewed in the union-owned companies said they were seldom consulted about their company operations, which are managed by appointees of union officials elected at the national, not the company, level.

Workers at the Jerusalem Shoe Co., for example, did not directly elect Malachi Almoigi as their factory manager.

The elected national union leaders appointed officers of Koor, a subsidiary of Hevrat Ovdim. And the Koor officers appointed Malachi Almoigi to head the Jerusalem Shoe Co.

It may be an indirect form of industrial democracy, but clearly the workers do have a voice in running their companies because they elect the union leaders who then appoint the company managers.

Almoigi, in an interview in the plant on the outskirts of Jerusalem, said, "We have an even more direct form of worker participation although I was chosen by the national Koor officials."

He said Jerusalem Shoe's local-level board of directors consists of two representatives each from blue collar and white collar workers, plus six management representatives, "so that leaves us in management with a slight majority."

"But nevertheless we do discuss everything with the direct representatives of the workers, and since we are appointed by worker-elected leaders, I'd say we certainly do have direct industrial democracy."

Even companies that are only partially owned by Histadrut claim workers play a major role in their operations.

General Telephone has a 50-percent share of

Lighting Products Co., Inc., while Histadrut owns the other half. Rami Berkovitz, the company production manager, insists that "everything I do I must get an okay first from the workers, but as long as we produce, General Telephone is happy. And we do produce."

The extent of industrial democracy in the union-owned companies is somewhat exaggerated by managers, according to many workers, yet all of those interviewed agreed it is a major factor in the operation of those companies.

But the idea has little support in the private sector, and Buma Shavit, head of Israel's private employers' association, wants to keep it that way.

"We are convinced Israel is not ripe for any more industrial democracy than we have now, and certainly it should not be forced on us in private industry by law, which was done in so many European countries," Shavit said.

But he added that while management generally retains full authority to manage the private sector, "it is hard to be an authoritarian boss in this country."

Israel, he said, is an unusual mixture of "socialist-minded individualists" and "you just cannot go around giving arbitrary orders."

"Foremen are still chosen by the management, but you can't shove a foreman on a group of workers who don't want him. You'd never get away with it in this country."

In strongly opposing any equal sharing of power at the top corporate level, Shavit echoed words of corporate executives interviewed throughout Europe:

"Workers are not ready for the responsibility" "It slows down the decisionmaking process. . ."

"Company owners have the responsibility for getting results and so must keep the authority to go with the responsibility. . . ."

But while he sounded like an average European capitalist he is not, any more than the Tsurs are average rural American workers.

Shavit noted that Israel has a non-Labor Party government for the first time since it was founded in 1948, and that Prime Minister Menachem

Begin is regarded as an economic conservative.

Yet Shavit sounded pleased to tell his visitors that "Israel is still a socialist country."

He is a strong supporter of free enterprise, Shavit said, "but Judaism by conception is a socialist way of life in that we must always care for those who need help."

And how does a private enterprise capitalist feel about one-fourth of Israel's economy being owned by the union with which he negotiates labor contracts?

"Actually, Histadrut is not just a union. You haven't got anything like it anywhere else in the world.

"And the fact that it has far broader interests than any other trade union anywhere is a good thing for our country."

In fact, Shavit was more disturbed by the "weakness of our government when it comes to labor relations" than he was by the strength and diversity of interests of Histadrut.

"We in management and labor have respect for each other, and from what I see in my travels, our relations with the union here are better than in almost any other nation."

Israeli workers do have some well-publicized strikes, but almost every one of them has been against a government enterprise or agency.

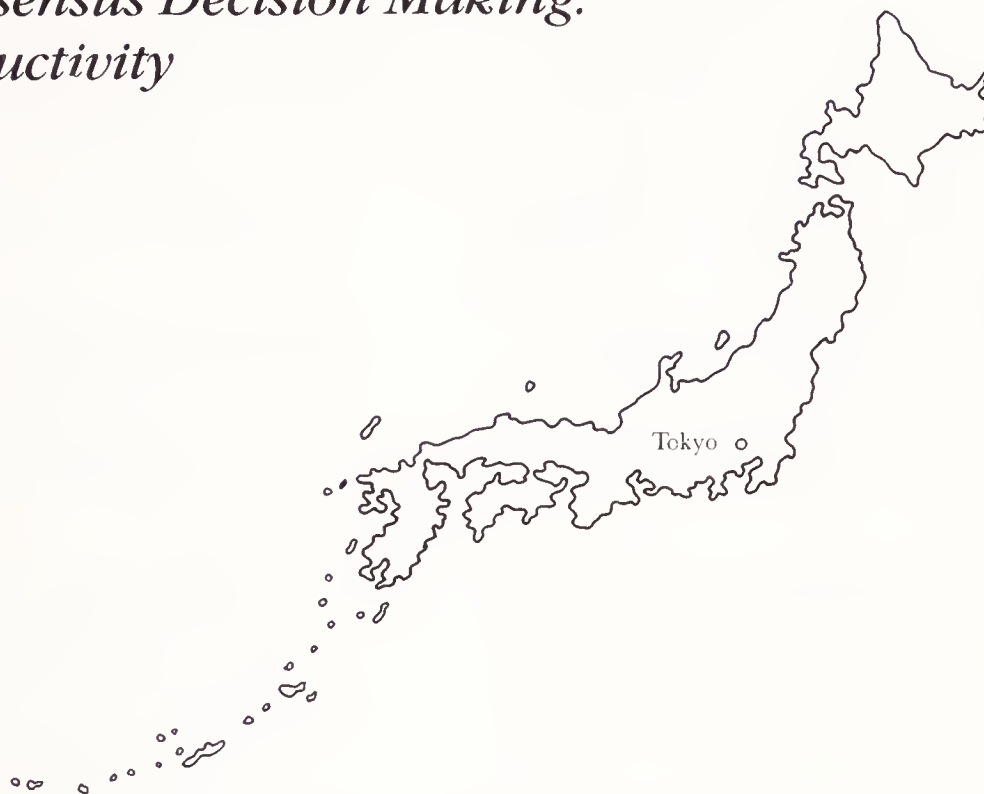
"The government stands up to the workers only until a strike starts, but then gives in quickly, which encourages the workers to increase their demands the next time, knowing a short strike will get them what they want," Shavit said.

"I wouldn't mind seeing the union-owned firms expand, as long as it is done efficiently," the private enterprise leader concluded.

The thought patterns of people such as the Shavits and the Tsurs of Israel are not always easy to follow, but it is clear that the Israelis are developing their own special kind of industrial democracy today even as they try to cope with their far more explosive international problems.

Chapter X

JAPAN *Consensus Decision Making: Key to Productivity*



Tokyo, Japan

While the rest of the world looks on with a mixture of fear and envy at Japan's astonishing economic successes, many Japanese are trying to change some of the basic things responsible for their triumphs.

Take for instance, young, demure Mariko Hiramitsu and women like her who are seeking dream husbands they describe as "my home poppas."

Hiramitsu, a staff aide in the Japan Foreign Press Center, told a visitor the other day that, "More and more Japanese girls want to marry a 'my home poppa,' an English-language expression we use which just means we want husbands who are married to us, not their jobs."

Certainly, her dream husband should work hard, "but he should also learn to stay at home on weekends and at night, and be with his family more than most fathers are in our country today," she said.

Her view of marriage hardly sounds like a call for revolution. It might even be regarded in the

United States as old-fashioned.

Yet many Japanese see Hiramitsu's view of a dream husband as another sign of a shift away from the work traditions credited with powering this country to its present position as the world's third most productive nation, trailing only the far larger United States and Soviet Union.

Not all Japanese are married to their jobs, as many foreigners believe, but polls here show that over 60 percent believe their jobs are at least as important to them as their families.

This isn't a mysterious Oriental concept. Americans often hear stories about high-powered corporate executives who neglect wives, children and expensive homes so they can work harder and move up the corporate ladder.

In Japan, though, these stories are told not only about the rich, ambitious executives, but about average factory and office workers, and it is the workaholics who symbolize the Japanese work ethic.

A nation with relatively few natural resources, Japan's economic strength once came from the high productivity and low wages of its well-edu-

cated, strongly motivated workers who out-produce most others in the world.

Today, Japan no longer has the advantage of cheap labor.

Just 8 years ago, the average American would have made \$4.17 in the same time it took the average Japanese to earn \$1.

Today, the American can earn only \$1.48 in the time it takes the Japanese to earn \$1.

Japan now has to compete with low-wage countries such as South Korea where workers earn only 25 percent of the wages paid to Japanese.

This means the major advantage left to Japan over its economic competition is the high productivity of its workers. And any significant change in the work habits or in the labor relations system which have molded the Japanese work force could, it is feared, weaken the motivations of workers who are the source of this country's relative prosperity.

While change may not prove to be a bad thing, there is a fear of it, stemming from the possibility that it might be too drastic and from the uncertainty of what will replace it.

It is easy to exaggerate the prowess of the Japanese workers because of the myths about their inexhaustible energy and devotion to their jobs and their companies. They are not a race of superworkers. They, too, have their share of clockwatchers, and, in ever-increasing numbers, Japanese seek leisure-time travel leaving less and less time for hard work.

They are strong competitors in foreign trade, but most of what they produce, they consume themselves. They export only 11 percent of their gross national product compared to an average of 22 percent for European Common Market countries. The United States exports about 7 percent of its GNP.

But if they are not superworkers, or underconsumers, something obviously accounts for their impressive economic output. Most experts here agree that that something is a combination of Japanese tradition and a unique system of labor-

management relationships.

The pillars of the Japanese work structure include: the "lifetime job", separate unions for each company, "consensus decisionmaking," and paying workers primarily for length of service with a company instead of for skill or individual productivity.

Many Japanese today feel they already have a form of industrial democracy which they call "consensus decisionmaking."

In Europe, industrial democracy means giving workers greater roles as decisionmakers, not merely ordertakers.

Advocates say it can and usually does encourage worker interest in the fate of a company, improves on-the-job life, and boosts productivity. But the Japanese system already has created an often startlingly close identification of workers with their companies. Their productivity is unsurpassed and their working conditions are at least average.

There is no law requiring industrial democracy, or even "consensus decisionmaking here," but the Japanese seek a consensus on almost all proposed actions in a company.

They spend far more time than most companies in other nations trying to get agreement before putting a proposal into operation. Usually, the formal consensus is sought among supervisory employees, from the company president down to the shop foreman who is expected to reflect views of rank and file workers after talking with them about proposed company policies or programs.

It is disconcerting to hear talk about "our form of industrial democracy" from second- and third-level company supervisors who arrive at their offices in cars driven by white-gloved chauffeurs who literally run to open the car doors and bow deeply as their democracy-oriented bosses get out.

The company officers are almost never interrupted by anyone other than a superior in this status-conscious country, and there seem to be fewer outward signs of egalitarianism here than in Europe.

Nevertheless, consensus is usually reached

... the ringi system of consensus decisionmaking creates unnecessary discussion.

through a *ringi*, a written proposal that can come from any level of the company. The proposal is passed up and down the hierarchical line for everyone to consider and discuss.

It is a process critics say is ridiculously time-consuming. A complaint often made about most forms of democracy.

But once everyone at all levels has agreed to the proposal, it can be swiftly implemented with no "foot dragging" or uninformed people to complain that they were left out.

The system weakens individual responsibility, and some executives are beginning to echo those foreigners who say the ringi system of consensus decisionmaking creates unnecessary discussion.

In addition to the ringi, there are regular, official and unofficial consultations between company and union representatives on almost all phases of corporate planning because workers consider it an insult for management to surprise them with decisions, small or major.

David Bailey, a British executive of Unilever Corp. based in Japan, observed recently that "In Britain we have a tendency to tell workers only what we think they need to know.

" 'You do your job, I'll do mine' is the attitude in Britain, and you are expected to concentrate only on what you're paid to do."

"This isn't so, in Japan," he noted.

The system is being questioned, though, not only by some impatient executives, but by several unions, including the labor federation, Domei, which says consensus is a start, but only a start, toward real industrial democracy with far greater worker participation than the Japanese now use to run their companies.

One of the most intriguing pillars of the work system here is "lifetime employment," which provides long-term job security, relatively good pay and opportunities for promotion for those with talent.

In return for an unwritten promise of lifetime employment, the worker gives an unwritten promise of strong loyalty, even love, for the company.

Employers and workers feel they share the

same destiny and so must cooperate with one another.

Typical was an interview with Hayatu Ichihara, vice president of the union at Toyo Kogyo, which makes the Mazda car.

Wearing his red arm band to identify himself as a rather leftwing union leader, he made comments which would have brought tears of joy to the eyes of a U.S. corporate executive:

"I feel a basic love for this company. I have faith in the Mazda rotary engine, and I know whatever happens to Toyo Kogyo will happen to me because all of us in the company are in the same boat together."

Some of the elements which helped shape the view of Ichihara came from ancient traditions which taught that work is itself essential to one's physical, moral, and spiritual well being in addition to any material benefits it might bring.

That tradition is not unlike the Judeo-Christian work ethic.

Added to the work ethic as a motivator, however, is the Japanese sense of interdependence, which contrasts with the tradition of independence that pervades much Western life.

While self-interest and self-satisfaction are regarded as proper motivators among Westerners, the Japanese are expected to be less individualistic, seeking group harmony and group advancement rather than just individual success.

Former U.S. Ambassador to Japan, James Hodgson, said many Americans like to use the expression, "let the chips fall where they may," as they pursue what they regard as a just cause.

In Japan, he said, when someone pushes an idea or a cause, "those chips had better fall into a neat and orderly pattern because anything else would be disharmonious, which is something they abhor."

The insistence on talking until consensus is reached is reflected in the fact that there are well over 400,000 lawyers in the United States, but only about 10,000 in this country with half of America's population.

Clearly, this is a harmonious society, not a

litigious one.

One is expected to compete strongly for advancement in Japan, and that kind of competition starts in early school years. But the competition is not expected to be done in an abrasive manner which might disrupt the general harmonious relationships, especially within a single company.

The annual competition for promotion is strong, but usually takes place only among those in the same age level. Everyone who came to work in 1963, for example, will compete for promotions this year, and not with those, say in the "Class of 1970."

Another tradition which has left some residue on modern Japan's system of lifetime employment is the now defunct feudal system under which workers belonged to their lords, not as slaves, but as lifelong members of his "enlarged family."

Tanooki Tsukasa, a diemaker at the Hiroshima Metal Press Co., isn't familiar with nor terribly interested in the roots of his loyalty to his company but he has it.

Now 34, Tsukasa has been working for the firm since he finished junior high school. He was trained by the company, and as a skilled worker now he could get another job paying more than the \$900 a month he gets in addition to fringe benefits.

"I would never leave Hiroshima Press," he insisted recently. "I couldn't because the company has given me many kindnesses over the years. My job is not threatened as long as I want it."

Despite its heavy impact on the country, lifetime employment covers less than half of Japan's workers, and some estimate that only 25 percent of the workers have any real lifetime job security, although it is widely used in large companies with 2,000 or more workers.

Starting at the bottom of the company ladder, a worker can expect a pay raise each year regardless of ability. Dismissal is rare.

Companies prefer to train workers to meet company needs, rather than have what one official called the "readymade worker system you

use in the United States."

Teruyoshi Iwata, deputy vice minister of labor, said workers here are "custom made; that is, trained by the companies to do just about any job in the place.

"We have almost no craft lines of jurisdiction between jobs, even those fully unionized.

"Your 'readymade' workers are trained usually in some skill before going to work, or at least they are hired for a specific job which can be quickly taught. Here, we hire on the basis of expectation of future skills."

Iwata said, to understand the Japanese system, you should put this "custom-made" worker idea in the context of lifetime employment.

Many Japanese consider a company to be something like a tribe, with management serving as the tribal chief, anxious to hold the family of workers together as long as possible.

Often if a young worker quits his job, he or she is virtually out of the "lifetime job" system.

Other companies are suspicious of dissatisfied workers who find themselves in the "casual labor" category, doomed to wander from company to company seeking short-time employment without those highly desired family ties to one firm.

Company loyalty is further enhanced by benefits designed to make the company the real center of workers' lives.

Young workers are provided rooms in dormitories; child care is made available for working parents; classes are offered in everything from tea ceremonies and flower arranging to ancient dancing and skiing.

There are low-interest loans, housing allowances, special pay for those with children, vacations at company-owned resorts, and even company-paid funerals.

It's no wonder, then, that workers of many companies come in early to join in morning group exercises, or even to sing the company song as they do at the giant Matsushita Electric Company every morning:

"... We trust our strength together in har-

mony,
Finding happiness
Animating joy everywhere
A world of dedication
MATSUSHITA ELECTRIC...

Ichiro Shioji, president of the Confederation of Japan Auto Worker Unions, isn't embarrassed by the paternalism or company spirit which might well make most American workers wince if not quit before singing the company song.

"The workers' community in your country is basically outside the workplace. Here it is inside, so we try to create a pleasant place to live. After all, it is where most of us spend a large part of our adult lives," Shioji explained.

Despite the general acceptance of the concept of lifetime employment, it too is under attack.

Bright young people, impatient to move up the company ranks faster than older but perhaps less competent coworkers, complain about the system with more and more frequency these days.

Workers in their middle years complain that they cannot leave for a better job without risking their seniority, which here translates into a pay check.

But the strongest challenge comes from employers trying to retain "surplus" workers in Japan's ongoing period of economic trouble evidenced by higher prices, reduced sales, and lower profits.

The present jobless rate is about 2 percent, or a million workers.

But industry leaders say that they are now employing at least another million, and probably closer to 2 million people they no longer need.

The system works well in prosperity and in short periods of recession, when a "buffer" plan goes into effect. The plan involves hiring enough workers only for average production levels and use of substantial overtime in periods of heavy production. When sales slack off, overtime is eliminated and no layoffs are needed, usually.

Companies can also increase production above average by hiring casual labor on a part-time basis.

One industry estimate is that a total production cutback of 15 percent in the average Japanese firm can be made before lifetime employees are no longer needed.

Also, the government last year set up an Employment Stabilization Fund, paying employers in certain hard-pressed industries to keep workers on the job, needed or not.

But more and more companies today complain that these aids to the lifetime job systems are not enough in these days of continuing slack sales, and no one can expect a company to wait until it goes broke to lay off unnecessary workers.

Toyo Kogyo's executive vice president, Tsutomu Muria, said: "In Japan, we say we prefer to sip a thin soup together in hard times.

"Only as a last resort are workers fired here, in contrast, I understand, to your country, where the work force is regarded as one of the most flexible elements in production."

Another pillar of Japanese labor relations is the "company union," which in the United States usually means a union created by a company to keep out a legitimate union.

Here it means unions which function separately in each company and are not united into large, national unions like those in the United States.

There are national federations of labor, but the power rests with the local, company-based unions.

Yukitaka Haraguchi, president of the All Japan Federation of Metal Mining Workers, said the company union works well here "because workers and managers in each company know they share the same destiny, so they are more able to work out their differences."

But the company-based unions, too, are under fire as more and more of the local unions press for coordinated bargaining tactics, and federations of the local unions increase in strength.

Also being challenged is the system of paying workers for their seniority rather than skills or individual productivity.

Bonuses are universal here, but they are paid to

all workers as a group, and rarely to individuals.

The best way to get a raise in pay higher than your coworkers is to win a promotion. The scramble for promotions to management begins around the age of 40.

The usual retirement age is 55 here, not 65, so if you haven't made it by about 40, you're likely to stay where you are until retirement.

Thus, pressures for change are being felt in every aspect of Japanese labor-management relations and the traditions of this country.

There is not likely to be any dramatic shift away from the concepts that have served Japan so well in the past.

But even a brief visit to this crowded, dynamic nation shows that the people are in the process of

modifying old systems and traditions.

We left Japan for our return to the United States convinced that the Japanese will make the changes they need in a manner which will develop their nation into an even stronger economic powerhouse.

A major factor in that change will be an increased acceptance of industrial democracy as workers here, like those in other industrialized nations, demand a greater share of authority in running their places of work.

The workplace as the last bastion of authoritarianism in a democracy is no longer tenable. In time, political and industrial democracy could well be of equal importance.

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